



# **HIGH ARCTIC ENERGY SERVICES INC.**

**NOTICE OF ANNUAL GENERAL AND  
SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JUNE 17, 2024**

**and**

**MANAGEMENT PROXY AND INFORMATION CIRCULAR**

*THIS NOTICE OF MEETING AND MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF HIGH ARCTIC ENERGY SERVICES INC. OF PROXIES TO BE VOTED AT THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS OF HIGH ARCTIC ENERGY SERVICES INC.*

**TO BE HELD AT:**

Viking Room, Calgary Petroleum Club, 319 5 Avenue SW, Calgary, Alberta T2P 0L5

**June 17, 2024**

**At 3:00 p.m.**

**DATED May 9, 2024**

**The High Arctic Board has unanimously approved the Arrangement and the Return of Capital and recommends that Shareholders vote in favour of the special resolutions approving the Arrangement and the Return of Capital**

May 9, 2024

Dear Shareholder,

The board of directors of High Arctic Energy Services Inc. ("**High Arctic**" or the "**Corporation**") cordially invites you to attend the Annual General and Special Meeting (the "**Meeting**") of the shareholders of the Corporation (the "**Shareholders**") to be held at Viking Room, Calgary Petroleum Club, 319 5 Avenue SW, Calgary, Alberta T2P 0L5, on Monday, June 17, 2024 at 3 p.m. (Calgary time).

The High Arctic Board and Management believe that there is strategic merit in a reorganization that separates the North American and PNG businesses, as well as a distribution of surplus cash to shareholders by way of a tax efficient return of capital. We have determined that it would be in the best interest of the Corporation to affect this reorganization by placing the Corporation's Papua New Guinea focused energy services business (the "PNG Business") into a separate public company held by Shareholders on a pro rata basis with reference to the number of High Arctic Common Shares held immediately prior to the Arrangement.

At the Meeting, shareholders of High Arctic (the "**Shareholders**") will be asked to pass resolutions relating to certain routine general annual meeting matters as well as special resolutions approving (i) a statutory plan of arrangement (the "**Arrangement**") and (ii) a reduction of the stated capital account maintained by the Corporation in respect of the Common Shares for the purpose of permitting a special distribution to shareholders of up to \$0.76 per pre-Arrangement High Arctic Common Share (the "**Return of Capital**"). The Arrangement involves, among other things, the spin-out by High Arctic of the Corporation's Papua New Guinea business to High Arctic Overseas Holdings Corp. ("**SpinCo**"), and the pro rata distribution of common shares of SpinCo (the "**SpinCo Common Shares**") to our Shareholders such that each Shareholder will hold one quarter (1/4) of one SpinCo Common Share for every Common Share of High Arctic held on the effective date of the Arrangement. In addition, under the Arrangement, the presently outstanding Common Shares of High Arctic will be exchanged for new common shares of High Arctic (the "**New High Arctic Common Shares**") on the basis of one (1) New High Arctic Common Share for every four (4) Common Shares of High Arctic held on the effective date of the Arrangement.

For some time the Corporation has both pursued or entertained potential business combination transactions. The distinctly different profiles of the North American and PNG businesses have proven to be the main impediment to unearthing transactions acceptable to all parties and in the best interests of Shareholders. Finding unique companies desirous of being linked to both distinct businesses has proven futile. Companies to whom association with our North American Business may be attractive are a distinctly broader group and do not overlap with the international companies with whom the PNG Business and its risk profile may fit well.

Board and Management unanimously agree that the separation of these two businesses will ensure that management are dedicated to enhancing the value of each business and will be able to access pathways to transformative and accretive transactions that are currently inaccessible.

The summary below illustrates side by side the differences in key attributes of the two businesses:

**PNG Business**

Geographically positioned in Australasia. Papua New Guinea is a developing country with the challenges that are common to emerging economies: socio-economic disparity, high inflation, frequently changing politics, high unemployment, immature public institutions, lack of infrastructure, high crime rates as well as unique linguistic, cultural, economic and security challenges. All of which add up to a high cost of business and a high risk – high reward operating and business environment.

**North American Business**

Canada is a highly developed country with high per capita GDP, a well-educated population, stable political system and two dominant languages. It is a member of the G7 nations.

Service offerings are centred upon oil and gas well drilling services coupled with a smaller scale manpower and training business as well as remote equipment rentals. While expandable, the profitability of these latter two are heavily linked to the drilling activity.

Service offerings to the energy industry are centred on oilfield pressure control equipment rentals, and other field deployable rental equipment. Customers include energy companies and their contractors.

The services are provided in frontier territory with little or no infrastructure and substantive logistical challenges. There is a high degree of involvement in the planning and execution of the customer's operational activity. Personnel are domiciled in remote camps on a fly-in fly-out basis. The PNG Business's track record of successfully delivering high quality services in this challenging environment is the fundamental business capability that the PNG Business can leverage for future growth and development.

The services are within driving distances from major regional centres. There is a well-developed supply chain, mature and world class engineering, manufacturing and maintenance centres, and a comprehensive suite of support industries. Employees can mostly return home from work each day.

The local currency, the Papua New Guinea kina, is centrally controlled and not extensively traded in international currency markets. There are controls on the conversion and distribution of cash derived in PNG out of PNG.

The Canadian dollar is a liquid and well traded world currency. It is readily exchangeable to all globally traded currencies.

The management of the PNG Business have developed a unique skillset that has, in the past, delivered outstanding growth and profitability. Engagement in PNG with the business, regulatory and customer community is essential to maintain a market leading position.

There is a large and complex network of businesses that have developed over the past century to support the mature Canadian energy industry. Management needs to be consistently and broadly engaged in a network of business peers to optimize exposure to business opportunities.

The customer base is concentrated. It comprises large regional customers and global multi-national energy companies.

The customer base is diverse, includes local, regional, national and international energy companies and contractors of all sizes.

Apart from incentivising dedicated and focused key management to create value through the pursuit of opportunities in PNG, separating a stand-alone PNG Business creates access to additional potential growth pathways. Some of these are ways in which the PNG Business can proactively position itself to respond to increasing demands by the PNG government for the use of local contractors.

- Maximizes the options available to partner with local businesses, leveraging the core capability of the PNG Business in the delivery of a broader range of services,
- Enhanced potential for a future listing of the PNG Business on an exchange in the Australasian region, where the PNG market is more widely understood among investors and financiers,
- Potential to raise capital in the local debt market for growth investment, or through equity raise which could include a second listing on the PNGx, PNG's national stock exchange,
- Adds the possibility of aggregation by PNG focused corporations to the list of potential future liquidity events, which also includes Canadian headquartered multi-national energy services and extractive industry services companies, international drilling services companies, and energy companies in PNG seeking vertical integration synergies.

For the North American Business, the opportunities created through the Arrangement are potentially even more exciting. Following the pathway commenced with the divestment of the under-performing Canadian well servicing assets, nitrogen pumping business and snubbing equity investment positioning, the spin-out of the PNG Business and the distribution of surplus cash leaves a modestly sized cash-flow positive energy services business rooted in low operating cost, high margin rental services, with investments in industrial property and Canada's largest and fastest growing snubbing services provider, a public listing and non-capital tax loss carry-forwards.

The platform has now been built from which High Arctic can aggregate and grow in Canada. The Corporation is seeking new Canadian leadership to optimize operational strategies, preserve financial positioning, and identify areas of profitable growth. We believe that the timing is right. During 2024, Canada is poised to expand oil and gas takeaway capacity to global markets and evolving attitudes to energy security and decarbonization are stimulating investment in both alternative energy supply and carbon sequestration. The current Canadian energy services industry has numerous small well-run private companies that are seeking a liquidity event. There are limited buyers in the current market. Low trading multiples makes executing an accretive acquisition difficult for the limited buyers that are publicly traded.

From a corporate tax and shareholder return perspective, the Canadian business has considerable shelter from future corporate income taxes as the Corporation has more than \$130 million non-capital tax loss carry-forwards available. Preservation and utilization of these loss carry-forwards coupled with an effective business strategy provides an opportunity for potential superior future shareholder returns.

The most compelling consideration for accretive transactions would be the use of equity, which would bring with it scale and market presence resulting in improved volume of trade in the Corporation's stock. However, in Canada High Arctic also has access to one of the largest finance sectors with strong historical ties to the energy sector.

As a result of the Arrangement, Shareholders stand to benefit by

- retained proportional ownership of High Arctic's PNG Business, through a new publicly traded Canadian parent company with exposure to the potential for high returns from future expansionary projects in PNG,
- the return of up to \$0.76 per High Arctic Common Share (prior to the Arrangement) for Shareholders to invest as they determine, and
- the proportional ownership of High Arctic's North American Business, with the potential for value growth through an accretive acquisition strategy.

Upon completion of the Arrangement, all of the SpinCo Common Shares will be owned by Shareholders (other than dissenting Shareholders) on a pro rata basis, and the Corporation's Papua New Guinea business will be owned by SpinCo.

It is a condition to the completion of the Arrangement that the Corporation receives conditional approval from the TSX Venture Exchange (the "**TSXV**") or other designated stock exchange, for the listing of the SpinCo Common Shares. Listing will be subject to SpinCo meeting the initial listing requirements of such exchange, receiving formal approval of such exchange and meeting all conditions of listing imposed thereby.

The directors of the Corporation believe that the separation into two distinct public companies dedicated to the development and execution of their respective businesses will provide Shareholders with two stand-alone companies, each with distinct geographic focus, growth strategy and investment attributes.

In connection with the evaluation by the board of directors of High Arctic ("**High Arctic Board**") of the Arrangement, the High Arctic Board received an oral opinion from Lightyear Capital Inc., financial advisor to the Corporation, subsequently confirmed by delivery of a written opinion dated May 9, 2024 that as of the date of such opinion and based upon and subject to the assumptions, limitations, qualifications and conditions described in Lightyear's written opinion, the consideration to be received by Shareholders pursuant to the Arrangement was fair, from a financial point of view, to such Shareholders.

**After careful consideration, the High Arctic Board has unanimously determined that each of the Arrangement and the Return of Capital is fair to Shareholders and is in the best interests of the Corporation.** A description of the various factors considered by the High Arctic Board in arriving at this determination is contained in the enclosed information circular. **The High Arctic Board unanimously recommends that Shareholders vote in favour of the Arrangement and the Return of Capital.**

**The High Arctic Board has unanimously approved the Arrangement and the Return of Capital and recommends that Shareholders vote in favour of the special resolutions approving the Arrangement and the Return of Capital.**

To be effective, each of the Arrangement and the Return of Capital must be approved by a special resolution passed by at least two-thirds of the votes cast by the holders of issued and outstanding Common Shares of the Corporation present in person or represented by proxy at the Meeting, which holders are entitled to one vote for each High Arctic Common Share held. The Arrangement must also be approved by a majority of the votes cast by the Minority Shareholders (as defined in the Circular) present in person or represented by proxy at the Meeting.

At the Meeting, shareholders will also be asked to approve: (i) an equity compensation plan for SpinCo; and (ii) the redemption of all outstanding units under the deferred share unit plan of High Arctic.

Your vote is important regardless of the number of Common Shares of the Corporation that you own. If you are a registered holder of Common Shares, we encourage you to take the time now to complete, sign, date and return the enclosed form of proxy in the return envelope addressed to Odyssey Trust Company, Attn: Proxy Department, Trader's Bank Building, Suite 702, 67 Yonge St., Toronto, Ontario, M5E 1J8 at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof, to ensure that your shares are voted at the meeting in accordance with your instructions, whether or not you are able to attend in person. If you hold your shares through a broker or other intermediary, you should follow the instructions provided by your broker or other intermediary to vote your shares.

We would like to thank all Shareholders for their support as we proceed with this important step towards the reorganization of our businesses.

Sincerely,

***"Michael J. Maguire"***

Michael J. Maguire  
Chief Executive Officer

## NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT an annual general and special meeting (the “**Meeting**”) of the holders of Common Shares (“**Shareholders**”) of High Arctic Energy Services Inc. (“**High Arctic**” or the “**Corporation**”) will be held at Viking Room, Calgary Petroleum Club, 319 5 Avenue SW, Calgary, Alberta T2P 0L5, on Monday, June 17, 2024 at 3 p.m. (Calgary time) for the following purposes:

1. to consider and, if deemed appropriate, to pass, with or without variation, a special resolution (the “**Arrangement Resolution**”), the full text of which is attached as Appendix “A” to the accompanying Circular, approving an arrangement (the “**Arrangement**”) under Section 193 of the *Business Corporations Act* (Alberta) (the “**ABCA**”) among the Corporation, its Shareholders and SpinCo, which will involve, among other things, certain exchanges of securities resulting in common shares of SpinCo being distributed to Shareholders of the Corporation and SpinCo acquiring the shares of High Arctic Energy Services Cyprus Limited (“**HAES Cyprus**”);
2. to consider, and if deemed appropriate, to pass, with or without variation, a special resolution to approve the reduction of the stated capital account maintained by High Arctic in respect of its common shares by an amount to be determined by the High Arctic Board, in its sole discretion, such amount not to exceed \$0.76 multiplied by the number of High Arctic Common Shares issued and outstanding at the time that the Board makes any such determination, for the purpose of permitting a special distribution to be made to Shareholders of up to \$0.76 per common share as a return of capital, all as more particularly described in the Circular;
3. to consider, and if deemed appropriate, approve the ordinary resolution, as more particularly set forth in the Circular, relating to the redemption of all outstanding units under the deferred share unit plan of High Arctic;
4. provided that the Arrangement Resolution is approved, to consider and, if deemed appropriate, to pass, with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying Circular, to approve an equity compensation plan for SpinCo;
5. to receive and consider the audited financial statements of the Corporation for the year ended December 31, 2023 and the report of the auditors thereon;
6. to fix the number of directors for the ensuing year at four (4);
7. to elect directors for the ensuing year as described in the management information circular (the “**Circular**”) accompanying this notice;
8. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors; and
9. to transact such further or other business, including without limitation such amendments or variations to any of the foregoing resolutions, as may properly come before the Meeting and any adjournments or postponements thereof.

The accompanying Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice. Also accompanying this notice is a form of proxy and letter of transmittal.

The record date for determination of Shareholders entitled to receive notice of, and to vote at, the Meeting is May 13, 2024 (the “**Record Date**”). Only Shareholders whose names have been entered in the register of common shares in the capital of the Corporation (“**High Arctic Common Shares**”) on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting. To the extent that a Shareholder transfers the ownership of any High Arctic Common Shares after the Record Date and the transferee of those High Arctic Common Shares establishes ownership of such High Arctic Common Shares and demands, not later than 10 days before the Meeting, to be included in the list of Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those High Arctic Common Shares at the Meeting. Pursuant to the interim order of the Alberta Court of King’s Bench dated April 25, 2024 (the “**Interim Order**”) providing for, among other things, the calling of the

Meeting, each Shareholder shall be entitled to one vote at the Meeting for each High Arctic Common Share held by such holder.

**A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment or postponement thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment or postponement thereof. To be valid, the proxy must be received by Odyssey Trust Company, Attn: Proxy Department, Trader's Bank Building, Suite 702, 67 Yonge St., Toronto, Ontario, M5E 1J8, no later than 3 p.m. (Calgary time) on Thursday, June 13, 2024 or the day that is two (2) Business Days immediately preceding the date of any adjourned or postponed Meeting.**

**The proxyholder has discretion under the accompanying form of proxy to consider matters to be voted upon at the Meeting that may not yet be determined. Shareholders who are planning on submitting a proxy are encouraged to review the Circular carefully before submitting the proxy form.**

Registered Shareholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement Resolution becomes effective, to be paid the fair value of their High Arctic Common Shares in accordance with the provisions of section 191 of the ABCA and the Interim Order. A Shareholder's right to dissent is more particularly described in the Circular and the text of section 191 of the ABCA is set forth in Appendix "J" to the Circular. Please refer to the Circular under the heading "*Dissent Rights*" and Appendix "J" for a description of the right to dissent in respect of the Arrangement.

**Failure to strictly comply with the requirements set forth in section 191 of the ABCA and the Interim Order with respect to the Arrangement may result in the loss of any right to dissent. Persons who are beneficial owners of High Arctic Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of High Arctic Common Shares are entitled to dissent. Accordingly, a beneficial owner of High Arctic Common Shares desiring to exercise the right to dissent must make arrangements for the High Arctic Common Shares beneficially owned by such holder to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by High Arctic or, alternatively, make arrangements for the registered holder of such High Arctic Common Shares, to dissent on behalf of the holder.**

If you are a non-registered shareholder of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.

DATED at Calgary, Alberta, as of this 9<sup>th</sup> day of May, 2024.

**By Order of the Board of Directors of High Arctic Energy Services Inc.**

*"Michael J. Maguire"*

Michael J. Maguire  
Chief Executive Officer

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## GLOSSARY OF TERMS

***In this Circular, the following capitalized terms shall have the following meanings, in addition to other terms defined elsewhere in this Circular.***

**“ABCA”** means the *Business Corporations Act* (Alberta), and the regulations thereunder, as now in effect and as they may be promulgated or amended from time to time.

**“ACB”** has the meaning ascribed thereto under *“Income Tax Considerations - Certain Canadian Federal Income Tax Considerations”*.

**“AIF”** means the annual information form of the Corporation for the financial year ended December 31, 2023.

**“arm's length”** has the meaning attributed to such term in Subsection 251(1) of the Tax Act.

**“Arrangement”** means the arrangement by way of statutory plan of arrangement involving the Corporation, its Shareholders and SpinCo to be completed pursuant to the provisions of Section 193 of the ABCA on the terms and conditions set out in the Plan of Arrangement and any amendments thereto or variations thereof made in accordance with its terms and the Arrangement Resolution.

**“Arrangement Agreement”** means the arrangement agreement dated May 9, 2024 between the Corporation and SpinCo, a copy of which is attached to this Circular as Appendix “B”.

**“Arrangement Resolution”** means the special resolution approving the Arrangement in the form attached as Appendix “A” to this Circular which, to be effective, must be approved by the affirmative vote of (i) at least two-thirds of the votes cast thereon by the Shareholders; and (ii) a majority of the Minority Shareholders.

**“Articles of Arrangement”** means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement.

**“Board”** or **“High Arctic Board”** means the Corporation's board of directors, as constituted from time to time.

**“Business Day”** means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta under the laws of the Province of Alberta or the federal laws of Canada.

**“CDS”** means The Canadian Depository for Securities Limited.

**“CEO”** means Chief Executive Officer.

**“CFO”** means Chief Financial Officer.

**“Circular”** means this management proxy and information circular, including all Appendices and Schedules attached hereto.

**“Common Shares”** or **“High Arctic Common Shares”** means the common shares in the share capital of High Arctic, as constituted from time to time.

**“Corporation”** or **“High Arctic”** means High Arctic Energy Services Inc., together with its divisions and subsidiaries and its predecessor entities, and, unless the context requires otherwise or unless otherwise stated, terms such as **“we”**, **“our”**, or **“us”**, refer to the Corporation.

**“Court”** means the Court of King's Bench of Alberta.

**“Depository”** means Odyssey, engaged for the purpose of, among other things, exchanging certificates representing High Arctic Common Shares for New High Arctic Common Shares and SpinCo Common Shares in connection with the Arrangement.

**"Dissenting Non-Resident Shareholder"** has the meaning ascribed thereto under *"Income Tax Considerations - Certain Canadian Federal Income Tax Considerations - Holders Not Resident in Canada"*.

**"Dissenting Shareholders"** means a Shareholder who validly dissents from the Arrangement Resolution in compliance with the Dissent Rights and who has not withdrawn the exercise of such Dissent Rights and is ultimately determined to be paid fair value in respect of the High Arctic Common Shares held by such Shareholder.

**"Dissenting Shares"** means the High Arctic Common Shares held by Dissenting Shareholders.

**"Dissent Rights"** has the meaning ascribed thereto under *"Dissent Rights"*.

**"DRS"** means the direct registration system.

**"DRS Advice"** means a DRS advice which details the shares held in a book position.

**"Effective Date"** means the date shown on the confirmation of filing to be issued under the ABCA giving effect to the Arrangement, which date shall be determined in accordance with the Arrangement Agreement.

**"Effective Time"** means the time at which the steps to complete the Arrangement will commence, which will be 12:01 a.m. (Calgary time) on the Effective Date, subject to any amendment or variation in accordance with the terms of the Arrangement Agreement.

**"Fairness Opinion"** means the fairness opinion delivered orally and subsequently in writing by Lightyear to the High Arctic Board dated May 9, 2024, a copy of which is attached as Appendix "C" to this Circular.

**"Final Order"** means the final order of the Court approving the Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal.

**"HAES Cyprus"** means High Arctic Energy Services Cyprus Limited.

**"HAES Cyprus Shares"** means the outstanding ordinary shares in the share capital of HAES Cyprus.

**"High Arctic DSU"** means a deferred share unit issued pursuant to the High Arctic DSU Plan.

**"High Arctic DSU Plan"** has the meaning ascribed thereto under *"Statement of Executive Compensation for High Arctic – Compensation Discussion and Analysis – Overview of Compensation Program, Compensation Philosophy and Objectives"*.

**"High Arctic Equity Compensation Plans"** means, collectively, the High Arctic Stock Option Plan, the High Arctic PSU Plan and the High Arctic DSU Plan.

**"High Arctic Option"** means an option to acquire a High Arctic Common Share granted pursuant to the High Arctic Stock Option Plan that is outstanding prior to the Effective Time.

**"High Arctic PSU"** means a performance share unit issued pursuant to the High Arctic PSU Plan.

**"High Arctic PSU Plan"** has the meaning ascribed thereto under *"Statement of Executive Compensation for High Arctic – Compensation Discussion and Analysis – Overview of Compensation Program, Compensation Philosophy and Objectives"*.

**"High Arctic RSU"** means a restricted share unit issued pursuant to the High Arctic PSU Plan.

**"High Arctic Stock Option Plan"** has the meaning ascribed thereto under *"Statement of Executive Compensation for High Arctic – Compensation Discussion and Analysis – Overview of Compensation Program, Compensation Philosophy and Objectives"*.

**"IFRS"** means International Financial Reporting Standards, as incorporated in the Handbook of the Canadian Institute of Chartered Accountants at the relevant time applied on a consistent basis.

**"Insider"** shall have the meaning ascribed thereto in TSX Policy 1.1 - *Interpretation*.

**"Interim Order"** means the interim order of the Court dated April 25, 2024 concerning the Arrangement containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be amended or varied by the Court.

**"Letter of Transmittal"** means the letter of transmittal to be delivered by Shareholders to the Depositary providing for the delivery of High Arctic Common Shares to the Depositary.

**"Lightyear"** means Lightyear Capital Inc., the financial advisor to the High Arctic Board.

**"Management Designees"** has the meaning ascribed thereto under *"General Proxy Matters – Solicitation of Proxies"*.

**"Meeting"** means the Annual General and Special Meeting of Shareholders to be held at Viking Room, Calgary Petroleum Club, 319 5 Avenue SW, Calgary, Alberta T2P 0L5 on Monday June 17, 2024 at 3:00 p.m. (Calgary time) to consider, among other matters, the Arrangement, and any adjournment or postponement thereof.

**"MI 61-101"** means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*.

**"Minority Shareholders"** has the meaning ascribed thereto under *"Certain Legal and Regulatory Matters - Canadian Securities Laws - Application of MI 61-101"*.

**"Named Executive Officers"** or **"NEOs"** means the CEO, CFO, and the three most highly compensated executive officers whose total compensation exceeded \$150,000 per annum in the relevant fiscal year.

**"New High Arctic Common Shares"** means the new class of common shares in the capital of the Corporation, which the Corporation will be authorized to issue upon the Arrangement becoming effective and which are to be issued under the Arrangement to holders of High Arctic Common Shares in exchange for such Common Shares.

**"NI 52-110"** has the meaning ascribed thereto under *"Audit Committee Disclosure"*.

**"NI 58-101"** has the meaning ascribed thereto under *"Corporate Governance Disclosure"*.

**"Non-Registered Shareholder"** means a Shareholder who is not a Registered Shareholder.

**"Non-Resident Holder"** has the meaning ascribed thereto under *"Income Tax Considerations - Certain Canadian Federal Income Tax Considerations - Holders not Resident in Canada"*.

**"North America Business"** means the Corporation's existing North American energy services business to remain owned by High Arctic upon completion of the Arrangement.

**"Notice of Meeting"** has the meaning ascribed thereto under *"General Proxy Matters"*.

**"Odyssey"** means Odyssey Trust Company.

**"Person"** means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority, or other entity.

**"Plan of Arrangement"** means the Plan of Arrangement attached to the Arrangement Agreement, which together are attached as Appendix "B" hereto, and any amendment thereto made in accordance with Section 6.1 of the Arrangement Agreement.

**"PNG"** or **"Papua New Guinea"** means the country of Papua New Guinea.

**"PNG Business"** has the meaning ascribed thereto under "*Statement of Executive Compensation for High Arctic – Compensation Discussion and Analysis – Overview of Compensation Program, Compensation Philosophy and Objectives*".

**"Preferred Shares"** means preferred shares in the capital of the Corporation issuable in series of which none have been issued.

**"PUC"** has the meaning ascribed thereto under "*Income Tax Considerations - Certain Canadian Federal Income Tax Considerations*".

**"Record Date"** means May 13, 2024, being the date set by the Corporation for determining Shareholders entitled to receive notice of and vote at the Meeting.

**"Registered Shareholder"** means a registered holder of High Arctic Common Shares.

**"Registrar"** means the Registrar of Corporations for the Province of Alberta duly appointed under the ABCA.

**"Resident Holder"** has the meaning ascribed thereto under "*Income Tax Considerations - Certain Canadian Federal Income Tax Considerations - Holders Resident in Canada*".

**"Return of Capital"** has the meaning ascribed thereto under "*Particulars of the Matters to be Acted Upon - Return of Capital Resolution*".

**"Return of Capital Resolution"** has the meaning ascribed thereto under "*Information Concerning the Corporation - Approval Requirements - Return of Capital Resolution*".

**"SEC"** means the United States Securities and Exchange Commission.

**"SEDAR+"** means System for Electronic Document Analysis and Retrieval Plus.

**"Seh' Chene Partnership"** means the Seh' Chene Well Servicing Limited Partnership formed in July 2020, among HAES SD Holding Corp, a wholly owned subsidiary of the Corporation and Saa Dene Services Ltd., as limited partners and Seh' Chene GP Inc., as general partner, in order to conduct an oilfield services business to be managed and operated by High Arctic.

**"Shareholder"** means a holder of High Arctic Common Shares.

**"SpinCo"** means High Arctic Overseas Holdings Corp., a corporation incorporated under the ABCA.

**"SpinCo Board"** means the board of directors of SpinCo, as constituted from time to time.

**"SpinCo Common Shares"** means the common shares in the capital of SpinCo.

**"SpinCo Equity Incentive Plan"** means the proposed omnibus equity compensation plan of SpinCo, substantially in the form attached as Appendix "A" to the Plan of Arrangement, to be considered pursuant to the SpinCo Equity Incentive Plan Resolution, and, if approved, to come into force and effect pursuant to section 3.1(1)(f) of the Plan of Arrangement.

**"SpinCo Equity Incentive Plan Resolution"** means the ordinary resolution approving the SpinCo Equity Incentive Plan, to be considered by the Shareholders at the Meeting.

**"Stated Capital Reduction"** has the meaning ascribed thereto under "*Particulars of the Matters to be Acted Upon - Return of Capital Resolution*".

**"Tax Act"** means the *Income Tax Act* (Canada), as now in effect and as may be amended from time to time.

**“Trading Price”** means the trading price of a High Arctic Common Share, New High Arctic Common Share or SpinCo Common Share, as the case may be, on the TSX or TSXV on the applicable date and, for greater certainty, such trading price may be determined by reference to trading of the New High Arctic Common Shares or SpinCo Common Shares, as the case may be, on an “if, as and when issued” basis.

**“Transfer Agent”** means Odyssey, as registrar and transfer agent of High Arctic, or such other Person as may be designated by High Arctic to be the registrar and transfer agent.

**“TSX”** means the Toronto Stock Exchange.

**“TSXV”** means the TSX Venture Exchange.

**“U.S. Exchange Act”** means the *United States Securities Exchange Act of 1934*, as amended, and all rules and regulations thereunder.

**“U.S. Securities Act”** means the *United States Securities Act of 1933*, as amended, and all rules and regulations thereunder.

**“Well Servicing Transaction”** has the meaning ascribed thereto under “*Particulars of the Matters to be Acted Upon - Return of Capital Resolution - Details of the Return of Capital Resolution*”.

## FORWARD-LOOKING INFORMATION

Certain statements, other than statements of historical fact, contained or incorporated by reference in this Circular, including any information as to the future financial or operating performance of High Arctic and SpinCo, constitute “forward-looking information” within the meaning of applicable securities laws, and are based on expectations, estimates and projections as of the date of this Circular. The words “plans,” “expects,” “does not expect,” “is expected,” “budget,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates,” “does not anticipate,” or “believes,” or variations of such words and phrases or statements that certain actions, events or results “may,” “could,” “would,” “might,” or “will be taken,” “occur” or “be achieved” and similar expressions identify forward-looking statements. These statements in this Circular speak only as of the date of this Circular unless otherwise indicated herein, and accordingly, are subject to change after such date. These statements are based upon management’s perception of historic trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances.

Forward-looking statements include, without limitation, statements with respect to currency fluctuations, requirements for additional capital, limitations on insurance coverage and matters related to the completion of the Arrangement, the proposed structure of High Arctic and SpinCo, the business objectives, capital expenditures and operations of High Arctic and SpinCo post-Arrangement, the dividend policy of High Arctic post-Arrangement, the continued listing of New High Arctic Common Shares and the listing of the SpinCo Common Shares on the TSX or TSXV.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by High Arctic and SpinCo as of the date of this Circular, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of each of High Arctic and SpinCo include, but are not limited to, the various assumptions set forth in the most recent AIF of High Arctic and its most recent management’s discussion and analysis as well as: (i) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, damage to equipment or otherwise during the balance of 2024; (ii) that the exchange rate between the Canadian dollar and the U.S. dollar will be approximately consistent with current levels; (iii) maintain ongoing relationships with major customers; (iv) successfully market their services to current and new customers; (v) devise methods for, and achieve their primary objectives; (vi) source and obtain equipment from suppliers; (vii) successfully manage, operate, and thrive in an environment which is facing much uncertainty; (viii) remain competitive in all their operations; (ix) attract and retain skilled employees; and (x) obtain equity and debt financing when needed on satisfactory terms.

In respect of the forward-looking statements and information concerning the anticipated completion of the Arrangement and the anticipated timing for completion of the Arrangement, High Arctic has provided them in reliance on certain assumptions that it believes are reasonable at this time, including assumptions as to the time

required to prepare and mail shareholder meeting materials, including the required management information circular; the ability of the parties to receive, in a timely manner, the necessary regulatory, court, shareholder and other third party approvals; and the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Arrangement. These dates may change for a number of reasons, including unforeseen delays in preparing meeting material; inability to secure necessary shareholder, regulatory, court or other third-party approvals in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Arrangement. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times.

Known and unknown factors could cause actual results to differ materially from those projected in forward-looking statements. Such factors include, but are not limited to:

- the worldwide demand for oilfield services in connection with the drilling, workover and completion of oil and natural gas wells;
- impact on industry activity levels due to such factors as volatility in oil and natural gas prices and the ability of customers to raise capital for exploration and development, and therefore demand for our services;
- volatilities in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental initiatives, imposition of tariffs/taxes and government imposed production limitations;
- expectation of consistent interpretation and application of government regulations and controls;
- liabilities and risks inherent in the extractive industries, including environmental liabilities and risks;
- risk of disease outbreak locally, regionally, or internationally that could adversely impact those same economies and negatively impact the price for oil and gas, and as a result, our services;
- lack of unified local, provincial, and federal political and geopolitical support for the development of energy resources;
- changes in PNG government policy on resource development;
- risks inherent in operating in foreign jurisdictions, including political, military threat, and economic risk;
- uncertainties in weather and/or natural disasters affecting the ability to provide services at all and/or the duration of the service periods and the activities that can be completed;
- risks associated with operating in PNG, one of the most hazard prone regions in the world, where both geohazards and meteorological hazards are regular events and include earthquakes, tsunami, cyclones, landslides, flood, drought and heatwaves;
- the uncertain timing and level of activity associated with exploration, appraisal, development and abandonment projects in PNG oil and gas;
- liquidity risks;
- credit risks associated with customers in the oil and natural gas industry, including the inability of customers of the Corporation to pay for goods and services that have been provided;
- income tax matters including unanticipated tax and other expenses and liabilities of the Corporation in foreign jurisdictions;

- general economic conditions in the jurisdictions the Corporation operates in, including variations in exchange, interest, and tax rates; regional and international competition;
- sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities, and skilled personnel;
- continuing success in developing and integrating technological advances and the ability to match advances of competitors;
- pressures to reduce global greenhouse gas emissions through international agreements that may impact the ability to attract capital investment into the energy sector;
- the cancellation of industry-standard type contract arrangements used by the Corporation including written contracts, service orders and verbal agreements;
- cyber-security risks associated with information technology, where third parties purposely attempt to damage organization's systems through unauthorized and fraudulent access;
- stock market volatility and market valuations; and
- as well as those factors discussed under "*Risk Factors to the Arrangement*" herein and under "*Risk Factors*" in each of the AIF, Appendix "D" - "*Information Concerning High Arctic Post-Arrangement*" and Appendix "E" - "*Information Concerning SpinCo Post-Arrangement*" to this Circular. There are also certain risks related to the consummation of the Arrangement and the business and operations of High Arctic.

These risk factors are not intended to represent a complete list of the risk factors that could affect High Arctic or SpinCo. Although High Arctic and SpinCo have attempted to identify in this Circular important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements in this Circular, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that the forward-looking statements in this Circular will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements in this Circular. All of the forward-looking statements made in this Circular are qualified by these cautionary statements.

Certain of the forward-looking statements and other information contained herein are based on estimates prepared by High Arctic using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which High Arctic believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, these data are inherently imprecise. While High Arctic is not aware of any misstatement regarding any industry data presented herein, the oil and gas industry involves risks and uncertainties that are subject to change based on various factors.

Each of High Arctic and SpinCo disclaims any intention or obligation to update or revise any of the forward-looking statements in this Circular, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

## **CURRENCY**

All currency references in this Circular are in Canadian dollars unless otherwise indicated.

## **INFORMATION FOR UNITED STATES SHAREHOLDERS**

The New High Arctic Common Shares and SpinCo Common Shares issuable to Shareholders resident in the United States in exchange for their securities pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States. Such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section



3(a)(10) thereof on the basis of the approval of the Court, which must find, among other things, before approving the Arrangement that its terms and conditions are fair to those to whom securities will be issued, and in reliance upon exemptions under applicable U.S. state securities laws. See “*Conduct of Meeting and Other Approvals - Court Approval of the Arrangement*”.

The solicitation of proxies is not subject to the requirements of Section 14(a) of the U.S. Exchange Act, by virtue of an exemption applicable to proxy solicitations by a “foreign private issuer,” as defined in Rule 3b-4 under the U.S. Exchange Act. The Corporation is a Canadian issuer that administers its business principally in Canada, and the majority of its record Shareholders, executive officers, directors and assets are located in Canada. The solicitation of proxies and transactions contemplated herein are being made by a Canadian issuer in accordance with Canadian corporate and securities laws, and this Circular has been prepared in accordance with disclosure requirements applicable in Canada. Shareholders should be aware that requirements under such Canadian laws and such disclosure requirements may differ from requirements under United States corporate and securities laws relating to United States corporations. The financial statements, pro forma financial statements and related financial information included in this Circular have been prepared in accordance with IFRS, and the audited financial statements included herein are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States corporations.

Certain of the financial statements included herein have been prepared in Canadian dollars and in accordance with IFRS, and are subject to auditing and auditor independence standards, which differ from United States generally accepted accounting principles and United States auditing and auditor independence standards in certain material respects, and thus are not directly comparable to financial statements of companies prepared in accordance with United States generally accepted accounting principles and that are subject to United States auditing and auditor independence standards.

Furthermore, the Corporation and SpinCo may present financial measures that are “non-GAAP financial measures” as defined under Regulation G promulgated under the U.S. Exchange Act. The rules issued under Regulation G regulate the use of non-GAAP financial measures in filings made with the SEC and public disclosures and press releases. These rules require, among other things:

- a presentation with equal or greater prominence of the most directly comparable financial measure or measures calculated and presented in accordance with GAAP; and
- a statement disclosing the purposes for which management uses the non-GAAP financial measure and why it is useful to investors.

These rules prohibit, among other things:

- exclusion of charges or liabilities that required, or will require, cash settlement or would have required cash settlement absent an ability to settle in another manner, from liquidity measures;
- adjustment of a performance measure to eliminate or smooth items identified as nonrecurring, infrequent or unusual, when the nature of the charge or gain is such that it is reasonably likely to recur; and
- presentation of non-GAAP financial measures on the face of any pro forma financial information.

Regulation G by its terms does not apply to the Corporation and SpinCo, and U.S. shareholders should be aware that the non-GAAP financial measures presented by the Corporation may not comply with the foregoing rules.

The enforcement by Shareholders of civil liabilities under the United States federal securities laws may be affected adversely by the fact that High Arctic and SpinCo are incorporated or organized under the laws of a country other than the United States, that some or all of their officers and directors and the experts named herein are residents of countries other than the United States and that all of the assets of High Arctic and SpinCo are located outside the United States. As a result, it may be difficult or impossible for U.S. shareholders to effect service of process within the United States upon High Arctic and SpinCo, their directors or officers, or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States. In addition, U.S. shareholders should not assume that the courts of Canada: (i) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States; or (ii) would enforce, in original actions,

liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

The New High Arctic Common Shares and SpinCo Common Shares issuable to Shareholders pursuant to the Arrangement will be freely transferable under U.S. federal securities laws, except by persons who are “affiliates” of the Corporation or SpinCo, as applicable, after the Effective Time or were affiliates of the Corporation or SpinCo, as applicable, within 90 days prior to the Effective Time. See “*Securities Law Considerations - United States Federal Securities Laws*”.

**THE SECURITIES TO BE ISSUED PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR SECURITIES REGULATORY AUTHORITY OF ANY STATE PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

## SUMMARY

*The following is a summary of the principal features of the Arrangement and certain other matters and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular, including the appendices hereto. This Summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein. Unless otherwise indicated, all currency amounts are stated in Canadian dollars. The information contained herein is as of May 9, 2024 unless otherwise indicated. Capitalized terms used in this Summary are defined in the "Glossary of Terms" or elsewhere in this Circular.*

## THE MEETING

### The Meeting

The Meeting will be held at Viking Room, Calgary Petroleum Club, 319 5 Avenue SW, Calgary, Alberta T2P 0L5, on Monday, June 17, 2024 at 3 p.m. (Calgary time), for the purposes set forth in the accompanying Notice of Meeting. At the Meeting, Shareholders will, among other annual general meeting matters, be asked to consider and, if deemed advisable, pass with or without variation, the Arrangement Resolution. Shareholders will also be asked to approve a reduction of the stated capital account maintained by High Arctic in respect of its Common Shares by an amount to be determined by the High Arctic Board, for the purpose of making a special distribution to the Shareholders, the redemption of all outstanding units under the High Arctic DSU Plan, and an omnibus equity incentive plan for SpinCo.

## PARTICULARS OF THE MATTERS TO BE ACTED UPON: THE ARRANGEMENT

The Arrangement will occur by statutory plan of arrangement under Section 193 of the ABCA involving the Corporation, the Shareholders and SpinCo. The principal features of the Arrangement are summarized below, and the following is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is attached as Appendix "B" hereto.

### Background to the Arrangement

High Arctic is an energy services company currently operating principally in PNG and Western Canada. In PNG, the product line consists of drilling and specialized well completion services and equipment rental including rig matting, camps, material handling, and drilling support equipment. In Canada, the product line consists primarily of pressure control and other oilfield equipment rentals. The Corporation also offers snubbing and well servicing activities through its interests in Team Snubbing Services Inc. and in the Seh' Chene Partnership.

Management and the High Arctic Board have determined that it would be in the best interest of the Corporation to separate the Corporation's Papua New Guinea focused oil and gas services business (the "**PNG Business**") into a separate public company held by Shareholders on a pro rata basis with reference to the number of High Arctic Common Shares held immediately prior to the Arrangement.

SpinCo was incorporated on April 1, 2024 solely for the purposes of participating in the Arrangement and to acquire and hold all of the shares in the capital stock of HAES Cyprus. On May 9, 2024, the Corporation and SpinCo entered into the Arrangement Agreement.

See "*The Arrangement - Background to the Arrangement*".

### Reasons for the Arrangement

For some time the Corporation has both pursued or entertained potential business combination transactions. The distinctly different profiles of the North American and PNG businesses have proven to be the main impediment to unearthing transactions acceptable to all parties and in the best interests of Shareholders. Finding unique companies desirous of being linked to both distinct businesses has proven futile. Companies to whom association with our North American Business may be attractive are a distinctly broader group and do not overlap with the international companies with whom the PNG Business and its risk profile may fit well.

Board and Management unanimously agree that the separation of these two businesses will ensure that management are dedicated to enhancing the value of each business and will be able to access additional pathways to transformative and accretive transactions that are currently inaccessible.

### PNG Business

Apart from incentivising dedicated and focused key management to create value through the pursuit of opportunities in PNG, separating a stand-alone PNG Business opens up additional potential growth pathways. Some of these are ways in which the PNG Business can proactively position itself to respond to increasing demands by the PNG government for the use of local contractors. A stand-alone PNG Business unlocks the following optionality:

- Maximizes the options available to partner with local businesses, leveraging the core capability of the PNG Business in the delivery of a broader range of services,
- Enhanced potential for a future listing of the PNG Business on an exchange in the Australasian region, where the PNG market is more widely understood among investors and financiers,
- Potential to raise capital in the local debt market for growth investment, or through equity raise which could include a second listing on the PNGx, PNG's national stock exchange, and
- Adds the possibility of aggregation by PNG focused corporations to the list of potential future liquidity events, which also includes Canadian headquartered multi-national energy services and extractive industry services companies, international drilling services companies, and energy companies in PNG seeking vertical integration synergies.

The cornerstones for the post-reorganization business strategy for the PNG Business include:

1. leveraging the core PNG planning and logistics capability behind our success in PNG to diversify our service offerings there,
2. deploying idle assets to profitable operations in the advancement of prominent natural resources and infrastructure projects,
3. strengthening local content in the supply chain, in our service delivery, and in the value derived from our services,
4. establishing an efficient corporate structure, that provides the opportunity to consider transactions which would create value for SpinCo's shareholders,
5. increasing participation in the local and regional business, finance and investment communities, and
6. seeking out opportunities to expand and root the business in the Australasian region.

### North American Business

For the North American Business, the opportunities created through the Arrangement are in growing its existing business and becoming an aggregator. Once separated from the PNG Business, companies to whom association with our North American Business may be attractive to transact with becomes distinctly broader. North American Business management can selectively pursue mergers and acquisitions that are value accretive to Shareholders, while organically growing its core business through selective and opportunistic investments.

Over the past two years the Corporation has divested underperforming and non-core assets and businesses. Now the Corporation retains a low operating cost, a high margin equipment rental business centered upon pressure control, a non-operating, minority equity interest in Canada's largest oilfield snubbing services business, Team Snubbing Services Inc., and ownership of industrial properties at Clairmont and Whitecourt in Alberta, Canada.

During 2024, Canada is poised to expand oil and gas takeaway capacity to global markets and evolving attitudes to energy security and decarbonization are stimulating investment in both alternative energy supply and carbon

sequestration. The current Canadian energy services industry has numerous small well-run private companies that are seeking a liquidity event. There are limited buyers in the current market. Low trading multiples makes executing an accretive acquisition difficult for the limited buyers that are publicly traded.

From a corporate tax and shareholder return perspective, the Canadian business has considerable shelter from future corporate income taxes as the Corporation has more than \$130 million non-capital tax loss carry-forwards available. Preservation and utilization of these loss carry-forwards coupled with an effective business strategy provides an opportunity for potential superior future shareholder returns.

A stand-alone North American Business unlocks the following optionality:

- Distinctly broadens the group of companies with whom High Arctic can explore accretive and transformational transactions,
- Simplifies the corporate profile and provides for greater clarity to benchmark corporate performance and trading multiples with peers,
- Enables the potential to leverage all of the assets of the Corporation to raise debt for expansionary investment, and broadens the possible sources of debt, and
- Creates an efficient vehicle with which to aggregate North American businesses in the energy services and supply sector, including the emerging renewables and energy decarbonization industries.

The cornerstones for the initial post reorganization strategy for the North American Business include:

1. a focus on Canadian business activity;
2. growing the core business through selective and opportunistic investments;
3. leveraging High Arctic's people, assets, systems and work processes;
4. sustaining capital stewardship that preserves balance sheet strength and financial flexibility;
5. building up the business with accretive acquisitions that allow the Corporation to optimize its available tax loss carry-forwards; and
6. positioning for an efficient corporate structure, that provides the opportunity to consider transactions which would create value for the Corporation's shareholders.

In the course of its evaluation of the Plan of Arrangement, the High Arctic Board consulted with High Arctic's senior management, financial advisors and legal counsel, reviewed a significant amount of information and considered a number of factors. As a result of such deliberations, the High Arctic Board has unanimously determined that the Arrangement is fair to Shareholders and in the best interests of the Corporation. In reaching these determinations, the High Arctic Board considered, among other things, the following factors:

1. The benefits of dividing the Corporation into its distinct businesses;
2. Providing the Shareholders with an opportunity to maintain their equity stake in the PNG Business;
3. Each company will be owned by Shareholders on a pro rata basis with reference to the number of High Arctic Common Shares held prior to the Arrangement;
4. The Arrangement is expected to improve the market's identification and valuation and allow Shareholders, investors and analysts to more accurately compare, evaluate and value each of the companies on a stand-alone basis against appropriate peers, benchmarks and performance criteria specific to that company;
5. Each company will have independent access to capital (equity and debt) which management believes will result in more focused capital allocation;

6. The procedures by which the Arrangement is to be approved, including the requirement for approval of the Arrangement by the Court after a hearing at which fairness to the Corporation's securityholders will be considered;
7. Lightyear rendered to the High Arctic Board its oral opinion, subsequently confirmed by delivery of a written opinion dated May 9, 2024, that as of the date of such opinion and based upon and subject to the assumptions, limitations, qualifications and conditions described in Lightyear's written opinion, the consideration to be received by Shareholders pursuant to the Arrangement was fair, from a financial point of view, to such Shareholders;
8. The availability of rights of dissent to Shareholders with respect to the Arrangement; and
9. The tax treatment of the Arrangement is expected to be tax efficient for Canadian tax purposes for most shareholders.

In the course of its deliberations, the High Arctic Board also identified and considered a variety of risks and potentially negative factors, including, but not limited to the risks set out under "*Risk Factors to the Arrangement*".

The foregoing discussion summarizes the material information and factors considered by the High Arctic Board in their consideration of the Arrangement. The High Arctic Board collectively reached its unanimous decision with respect to the Arrangement in light of the factors described above and other factors that each member of the High Arctic Board felt were appropriate. In view of the wide variety of factors and the quality and amount of information considered, the High Arctic Board did not find it useful or practicable to quantify, rank or otherwise assign relative weights to or make specific assessments of the specific factors considered in reaching its determination. Individual members of the High Arctic Board may have given different weight to different factors. See also "*The Arrangement - Reasons for the Arrangement*".

#### **Fairness Opinion**

In connection with the evaluation by the High Arctic Board of the Arrangement, the High Arctic Board received an oral opinion from Lightyear, subsequently confirmed by delivery of a written opinion dated May 9, 2024, in respect of the fairness, from a financial point of view, to Shareholders of the consideration to be received by Shareholders pursuant to the Arrangement, as of the date of such opinion.

The Fairness Opinion is summarized under "*The Arrangement - Fairness Opinion*", and a copy of the Fairness Opinion, which sets forth the procedures followed, assumptions made, information reviewed, matters considered and qualifications and limitations on the scope of the review undertaken, is attached as Appendix "C" to this Circular. **Shareholders are urged to, and should, read the Fairness Opinion in its entirety. This summary of the Fairness Opinion is qualified in its entirety by the full text of such opinion. The Fairness Opinion was addressed to, and provided for the information and assistance of, the High Arctic Board (solely in its capacity as such) in connection with its consideration of the proposed Arrangement. The Fairness Opinion does not constitute a recommendation to the High Arctic Board or to any other persons in respect of the Arrangement, including as to how any Shareholder should vote or act in respect of the Arrangement Resolution or any related matter. The Fairness Opinion does not address the relative merits of the Arrangement as compared to other business or financial strategies or transactions that might be available to High Arctic, nor does it address the underlying business decision of High Arctic to engage in the Arrangement.**

#### **Recommendation of the Directors**

After careful consideration, the High Arctic Board has unanimously determined that the Arrangement is fair to the Shareholders and is in the best interests of High Arctic. **The High Arctic Board unanimously recommends that Shareholders vote FOR the Arrangement Resolution.**

See "*The Arrangement - Recommendation of the High Arctic Board*".

## **Effect of the Arrangement**

If the proposed Arrangement is approved by the Shareholders and the Court and the other conditions precedent to completion of the Arrangement are satisfied or waived, at the Effective Time, High Arctic's assets will be divided between two separate publicly traded companies, with the existing North American business continuing to be owned by High Arctic post-Arrangement and the PNG Business being owned by SpinCo. The Arrangement and the Return of Capital are intended to divide the Corporation into its distinct businesses, return a significant amount of surplus capital to Shareholders on a tax-efficient basis, and provide the Shareholders with an opportunity to maintain their equity stake in SpinCo, while continuing to hold their current equity stake in High Arctic.

Each Shareholder (other than a Dissenting Shareholder) will hold, for each High Arctic Common Share held: (i) one quarter (1/4) of one New High Arctic Common Share; and (ii) one quarter (1/4) of one SpinCo Common Share. The Effective Date is expected to be on or about July 31, 2024.

For a more detailed description of the existing North American business and the business of High Arctic post-Arrangement, please refer to Appendix "D" - *"Information Concerning High Arctic Post-Arrangement"*. For a more detailed description of the PNG business and the business of SpinCo, please refer to Appendix "E" - *"Information Concerning SpinCo Post-Arrangement"*.

See *"The Arrangement - Effect of the Arrangement"*.

## **Arrangement Mechanics**

Once all conditions precedent to completion of the Arrangement have been satisfied or waived, the Articles of Arrangement are expected to be filed at such time as High Arctic deems appropriate, in its sole discretion, and the Arrangement will take effect as of the Effective Time. Subject to High Arctic's ability to amend the Plan of Arrangement, the steps set forth in the Plan of Arrangement will be deemed to occur in the order set out in the Plan of Arrangement on the Effective Date. See *"The Arrangement - Arrangement Mechanics"*. As a result of the Arrangement, High Arctic will transfer all of the HAES Cyprus Shares to SpinCo and each Shareholder (other than a Dissenting Shareholder) will be entitled to receive in respect of each outstanding High Arctic Common Share held: one quarter (1/4) of one New High Arctic Common Share and one quarter (1/4) of one SpinCo Common Share and such holder's name will be added to the registers of the New High Arctic Common Shares and the SpinCo Common Shares maintained by or on behalf of High Arctic and SpinCo, respectively.

The High Arctic Board may, in its absolute discretion, determine whether or not to proceed with the Arrangement without further approval, ratification or confirmation by the Shareholders.

See *"The Arrangement - Arrangement Mechanics"*.

## **High Arctic Options**

As of the date hereof, there are no High Arctic Options outstanding and the Corporation expects that no High Arctic Options will be outstanding on the Effective date.

See *"The Arrangement - High Arctic Options"*.

## **Conditions to the Arrangement Becoming Effective**

Completion of the Arrangement is subject to the conditions precedent in the Arrangement having been satisfied or waived, including, but not limited to, the following:

- (a) Shareholder approval of the Arrangement Resolution having been obtained;
- (b) Shareholder approval of the SpinCo Equity Incentive Plan Resolution having been obtained;
- (c) Shareholder approval of the accelerated redemption of the outstanding High Arctic DSUs having been obtained;

- (d) Shareholder approval of the Return of Capital Resolution having been obtained;
- (e) the Final Order having been obtained;
- (f) the TSX or the TSXV approving the continuing listing or listing, as applicable, of the New High Arctic Common Shares and the listing of the SpinCo Common Shares;
- (g) Shareholders not having validly exercised Dissent Rights in connection with the Arrangement with respect to more than 10% of the High Arctic Common Shares; and
- (h) The written Fairness Opinion will not have been withdrawn.

See “*Arrangement Agreement - Conditions to the Arrangement Becoming Effective*” in the Circular.

### **Shareholder Approval**

Subject to any further order(s) of the Court, the Arrangement Resolution must be approved by (i) at least two-thirds of the votes cast by Shareholders, and (ii) a majority of the votes cast by the Minority Shareholders, in each case voting in person or by proxy at the Meeting. The SpinCo Equity Incentive Plan Resolution must be approved by a simple majority of the votes cast by Shareholders in person or by proxy at the Meeting and the Return of Capital Resolution must be approved by at least two-thirds of the votes cast by Shareholders voting in person or by proxy at the Meeting. Shareholder approval of the SpinCo Equity Incentive Plan Resolution and the Return of Capital Resolution are conditions precedent to completion of the Arrangement. See “*Particulars of the Matters to be Acted Upon*”, and “*Certain Legal and Regulatory Matters - Canadian Securities Laws - Application of MI 61-101*”.

The Arrangement Agreement provides for the Articles of Arrangement to be filed at such time as High Arctic deems appropriate, in its sole discretion, after the conditions precedent contained in the Arrangement Agreement have been satisfied or waived.

### **Court Approval of the Arrangement**

Under the ABCA, the Corporation is required to obtain the approval of the Court to the calling and holding of the Meeting and to the Arrangement. On April 25, 2024, the Corporation obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached as Appendix “J” to this Circular.

The Court application in respect of the Final Order is scheduled to take place at 2:00 p.m. (Calgary time) on July 12, 2024, or as soon thereafter as the Court may direct at the Courthouse, 601 - 5th Street S.W., Calgary, Alberta, subject to the approval of the Arrangement Resolution at the Meeting.

At the Court hearing, all persons to whom securities would be issued in the Arrangement may participate, be represented or present evidence or argument, subject to the rules of the Court. Such persons should consult with their legal advisors as to the necessary rules and requirements. Although the authority of the Court is very broad under the ABCA, the Corporation has been advised by counsel that the Court must find, among other things, before approving the Arrangement, that its terms and conditions are fair to those to whom securities will be issued. The Court may approve the Arrangement as proposed or as amended in any manner as the Court may direct. The Court’s approval is required for the Arrangement to become effective.

The Court will be advised prior to the hearing that the Court’s approval of the Arrangement and determination that the Arrangement is fair will form the basis for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof with respect to the SpinCo Common Shares and the securities of the Corporation to be issued pursuant to the Arrangement. See “*Securities Law Considerations - United States Federal Securities Laws*” for additional information.

See “*Procedure for the Arrangement to be Effective - Court Approval of the Arrangement*” in the Circular.



## **Stock Exchange Approvals**

Currently the High Arctic Common Shares are listed on the TSX and there is no market for the SpinCo Common Shares. It is a condition precedent to the completion of the Arrangement that the New High Arctic Common Shares be conditionally approved for either continued listing on the TSX or listing on the TSXV, and original listing of the SpinCo Common Shares on the TSX or the TSXV, or such other designated stock exchange (as defined in the Tax Act) acceptable to High Arctic be conditionally approved. An application has been made to have the SpinCo Common Shares listed on the TSXV. Listing will be subject to, amongst other things, SpinCo meeting the original listing requirements of the TSXV, and meeting all conditions of listing imposed by the TSXV. There can be no assurance as to whether, or when, the SpinCo Common Shares will be listed for trading on the TSXV or any other designated stock exchange.

See “*Procedure for the Arrangement to be Effective - Stock Exchange Approvals*” in the Circular.

## **Exchange and Distribution of Share Certificates and DRS Advices**

Upon the Arrangement becoming effective, as soon as practicable after the Effective Date, assuming due delivery of the required documentation, including the applicable High Arctic Common Share certificates and a duly and properly completed Letter of Transmittal, High Arctic and SpinCo will cause the Depositary to forward DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares to which the Registered Shareholders as shown on the register of High Arctic Common Shares maintained by the Transfer Agent or at the address set out in the Letter of Transmittal, unless the Registered Shareholder indicates in the Letter of Transmittal that it wishes to pick up the DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares.

Registered Shareholders who do not deliver their High Arctic Common Share certificates and all other required documents to the Depositary on or before the date which is six years after the Effective Date will lose their right to receive New High Arctic Common Shares and SpinCo Common Shares.

See “*Exchange and Distribution of Certificates and DRS Advices*” in the Circular.

## **Dissent Rights**

Shareholders have the right to dissent to the Arrangement. Dissenting Shareholders who strictly comply with the provisions of the Interim Order, the ABCA and the Plan of Arrangement are entitled to be paid an amount equal to the fair value of their High Arctic Common Shares by the Corporation. The Dissent Rights applicable to the Arrangement are summarized under the heading “*Dissent Rights*” in this Circular.

**Dissenting Shareholders should note that the exercise of Dissent Rights can be a complex, time-sensitive and expensive procedure. Dissenting Shareholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement and the Dissent Rights.**

## **OTHER SPECIAL MATTERS TO BE VOTED UPON AT THE MEETING: THE RETURN OF CAPITAL**

### **Approval of Return of Capital**

If the Arrangement Resolution is passed, at the Meeting, Shareholders will be asked to consider and, if deemed appropriate, approve the reduction of the stated capital account maintained by High Arctic in respect of its common shares, by an amount to be determined by the High Arctic Board. The Return of Capital Resolution will provide that the High Arctic Board will have the discretion to determine not to proceed with the Return of Capital and to rescind the Return of Capital Resolution. See “*Particulars of Other Matters to be Acted Upon - Approval of Return of Capital*”. Approval of the reduction of stated capital by the Shareholders is a condition to the Arrangement.

## OTHER MATTERS TO BE VOTED UPON AT THE MEETING

### Approval of SpinCo Equity Incentive Plan

If the Arrangement Resolution is passed, at the Meeting, Shareholders will be asked to consider and, if deemed appropriate, approve and ratify the SpinCo Equity Incentive Plan. A copy of the SpinCo Equity Incentive Plan is included as Appendix "A" to the Plan of Arrangement, which is attached as Schedule "A" to the Arrangement Agreement, attached hereto as Appendix "B". See "*Particulars of Other Matters to be Acted Upon - Approval of SpinCo Equity Incentive Plan*".

Approval of the SpinCo Equity Incentive Plan by the Shareholders is a condition to the Arrangement.

### Compensation Plan Resolution

If the Arrangement Resolution is passed, at the Meeting, Shareholders will be asked to consider and, if deemed appropriate, approve the accelerated redemption of all outstanding units under the Corporation's deferred share unit plan. See "*Particulars of Other Matters to be Acted Upon - Compensation Plan Resolution*". Approval of the accelerated redemption of the deferred share units is a condition to the Arrangement.

### Annual General Meeting Matters

At the Meeting, shareholders will also be asked to consider the following ordinary annual meeting matters:

- a) to receive and consider the audited financial statements for the year ended December 31, 2023 and the report of the auditors thereon. See "*Particulars of Other Matters to be Acted Upon - Report and Financial Statements*";
- b) to fix the number of directors for the ensuing year at four (4). See, "*Particulars of Other Matters to be Acted Upon - Fixing the Number of Directors*";
- c) to elect directors for the ensuing year. See, "*Particulars of Other Matters to be Acted Upon - Election of Directors*"; and
- d) to appoint the auditors of the Corporation for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors. See, "*Particulars of Other Matters to be Acted Upon - Appointment of Auditor*".

## INCOME TAX CONSIDERATIONS

Shareholders should be aware that participation in the Return of Capital and the Arrangement described herein may have tax consequences. Such consequences for Shareholders may not be described fully herein. Shareholders are advised to review the summary contained below under "*Income Tax Considerations*", and all Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of the Return of Capital and the Arrangement in light of their particular situation, as well as any tax consequences that may arise under the laws of any other relevant foreign, state, local, or other taxing jurisdiction.

## SECURITIES LAW CONSIDERATIONS

Canadian securities law considerations to Shareholders are summarized herein under "*Securities Law Considerations - Canadian Securities Laws*" and United States securities laws considerations to Shareholders are summarized herein under "*Securities Law Considerations - United States Federal Securities Laws*".

**U.S. holders of New High Arctic Common Shares and SpinCo Common Shares are urged to seek legal advice prior to any resale of such securities to ensure that the resale is made in compliance with the requirements of applicable securities legislation. Certain re-sales of securities acquired pursuant to the Arrangement may be required to be made through properly registered securities brokers or dealers.**

## RISK FACTORS

In evaluating the Arrangement, you should carefully consider, in addition to the other information contained in this Circular, the risks and uncertainties described in the Circular under “*Risk Factors to the Arrangement*” before deciding to vote in favour of the Arrangement. In addition to the risk factors relating to the Arrangement, Shareholders should also carefully consider the risk factors relating to the Corporation’s business and SpinCo’s business following the Arrangement as described under “*Risk Factors*” in the Corporation’s AIF, Appendix “D” - “*Information Concerning High Arctic Post-Arrangement*” and Appendix “E” - “*Information Concerning SpinCo Post-Arrangement*”, respectively, which risk factors should be considered in conjunction with the other information included in this Circular. While this Circular has described the risks and uncertainties that management of the Corporation believes to be material to the Corporation’s and to SpinCo’s business, and therefore the value of their common shares, it is possible that other risks and uncertainties affecting the Corporation’s and/or SpinCo’s business will arise or become material in the future.

## INFORMATION CONCERNING THE CORPORATION AND SPINCO POST- ARRANGEMENT

The Corporation is an entity incorporated pursuant to the ABCA and is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba, and Ontario. The High Arctic Common Shares are currently listed for trading on the TSX under the trading symbol “HWO”. For more information on the business of the Corporation, please see the Corporation’s AIF and Appendix “D” - “*Information Concerning High Arctic Post-Arrangement*”, and the financial statements of the Corporation.

SpinCo is an entity incorporated pursuant to the ABCA for the purpose of participating in the Arrangement. Appendix “E” - “*Information Concerning SpinCo Post-Arrangement*” of this Circular describes the proposed business of SpinCo, post-Arrangement, and should be read together with the audited balance sheet of SpinCo, the audited annual financial statements and MD&A of HAES Cyprus, and the unaudited pro forma financial statements of SpinCo and post-Arrangement High Arctic contained in Appendix “F”, Appendix “G” and Appendix “H”, respectively.

### Board and Management

The High Arctic Board, with its financial and legal advisors, considered the skills and characteristics required for members of the respective Board of Directors for High Arctic and SpinCo following the completion of the Arrangement in the context of the current make-up of the High Arctic Board. In consideration of many factors, the High Arctic Board determined that the shareholders’ interests would be best served by retaining some existing members of the High Arctic Board and management in the boards and management of SpinCo and post-Arrangement High Arctic. The factors considered by the Board of Directors in making this determination included:

- the background, skills and characteristics of the respective directors;
- the level of success achieved by the Corporation since it began operations on the basis of overall shareholders’ return, among others;
- the benefits to be realized from continuity at the Board of Director level;
- the material contributions to the Corporation’s success over the years made by all directors of the Corporation; and
- the continuation of the strong corporate governance practices of the Corporation’s Board of Directors by the boards of both corporations following the completion of the Arrangement.

Upon completion of the Arrangement (and assuming that the nominated directors are elected at the Meeting), the High Arctic Board will consist of four directors, being Simon Batcup (Chair), Douglas Strong, Michael Binnion, and Craig Nieboer. The management team of High Arctic post-Arrangement will consist of: Michael Maguire (Interim CEO), Lonn Bate (CFO), Trevor Barker (GM Operations), and Justin Morrical (Business Development Manager).

Upon completion of the Arrangement, the SpinCo Board will consist of Michael Binnion, Michael Maguire, and Bruce Apana, with Michael Binnion acting as Chair of the SpinCo Board, and the management team of SpinCo will consist

of: Michael Maguire (CEO), Lonn Bate (Interim CFO), Stephen Lambert (COO), Chris Fraser (VP Strategy & Growth) and Matthew Cocks (VP Finance).

The post-Arrangement allocation of management personnel between High Arctic and SpinCo was made with reference to the anticipated managerial and operational needs of each corporation.

## INFORMATION CONCERNING THE MEETING AND VOTING - QUESTIONS AND ANSWERS

The following are some questions that you, as Shareholder, may have relating to the Arrangement and the Meeting, and the answers to such questions. These questions and answers do not provide all of the information relating to the Meeting or the matters to be considered at the Meeting and are qualified in their entirety by the more detailed information contained elsewhere in this Circular. You are urged to read this Circular in its entirety before making a decision related to your High Arctic Common Shares. Terms not otherwise defined in this section shall have the meaning ascribed thereto under "Glossary of Terms" of the attached Circular.

### About the Meeting

#### ***Why am I receiving this proxy and information circular?***

One of the benefits of being a shareholder of a corporation is the right to vote on certain corporate matters. This Circular provides the information that you need to vote at the Meeting. Since some Shareholders cannot or do not want to personally attend the special meeting at which the voting occurs, High Arctic provides Shareholders with the option to cast a proxy vote, that is to say to provide authority to the persons selected by the board of directors of the Corporation (the "**Management Designees**") to represent them at the Meeting, **or to designate a person (who need not be a Shareholder) other than the Management Designees to represent him or her at the Meeting.** Such right may be exercised by inserting in the space provided for that purpose on the form of proxy the name of the person to be designated and by deleting therefrom the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Corporation. Such Shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and should provide instructions on how the Shareholder's shares are to be voted. The nominee should bring personal identification with him or her to the Meeting. In any case, the form of proxy should be dated and executed by the Shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form). In addition, a proxy may be revoked by a Shareholder personally attending at the Meeting and voting his shares.

#### ***Who is soliciting my proxy?***

The Corporation's management is soliciting proxies for the Meeting. The Corporation's directors, officers and employees may also, without additional compensation, solicit proxies in person or by phone, fax or other form of electronic communication.

### ***When and where is the Shareholder Meeting?***

The annual general and special meeting of Shareholders will be held at Viking Room, Calgary Petroleum Club, 319 5 Avenue SW, Calgary, Alberta T2P 0L5, on Monday, June 17, 2024 at 3 p.m. (Calgary time).

### ***What will I be voting on?***

At the Meeting, Shareholders will be asked to vote on certain special matters, including:

1. a special resolution approving an Arrangement under the ABCA among the Corporation, its Shareholders and SpinCo which will involve, among other things, certain exchanges of securities resulting in common shares of SpinCo being distributed to Shareholders of the Corporation on a pro rata basis, and SpinCo acquiring all of the shares of HAES Cyprus from High Arctic (previously defined as the "**Arrangement Resolution**");
2. a special resolution to approve a reduction of the stated capital account maintained by High Arctic in respect of its common shares by an amount to be determined by the High Arctic Board (previously defined as the "**Return of Capital Resolution**");
3. an ordinary resolution to approve the accelerated redemption of all outstanding units under the High Arctic DSU Plan (the "**Compensation Plan Resolution**"); and
4. provided that the Arrangement Resolution is approved, an ordinary resolution to approve the SpinCo Equity Incentive Plan;

several annual meeting matters, including:

5. fixing the number of directors to be elected at the Meeting;
6. election of directors for the ensuing year; and

7. appointment of auditors for the ensuing year and authorizing the directors to fix the remuneration to be paid to the auditors.

You are also being asked to approve the transaction of any other business that may properly come before the Meeting or any adjournments or postponements of the Meeting.

***Who is entitled to vote and how many votes do I have?***

You are entitled to vote at the Meeting if you are a shareholder of record as of the close of business on May 13, 2024 (previously defined as the “**Record Date**”). You will have one vote for each Common Share of the Corporation you own at the close of business on the Record Date.

***How many shares are eligible to vote at the Meeting?***

The Corporation is authorized to issue an unlimited number of High Arctic Common Shares and an unlimited number of preferred shares. There are no other shares authorized, issued or outstanding of any class. As at the date hereof, the Corporation has 49,122,302 High Arctic Common Shares and no preferred shares outstanding. The High Arctic Common Shares are the only shares entitled to be voted at the Meeting, and holders of High Arctic Common Shares are entitled to one vote for each High Arctic Common Share held.

As of the date hereof, to the knowledge of the directors and senior officers of the Corporation, no person beneficially owned, directly or indirectly, or exercised control or direction over High Arctic Common Shares carrying more than 10% of the voting rights of the Corporation, other than FBC Holdings Sàrl, which owns 21,916,634 Common Shares representing 44.6% of the outstanding High Arctic Common Shares as of the Effective Date.

***How do I vote?***

If you are eligible to vote and your shares are registered in your name, you can vote your shares in person at the Meeting or by Proxy, as explained below. If your shares are registered in the name of an Intermediary (as hereinafter defined), please see the instructions below under the heading “***Voting for Non-Registered Shareholders.***”

***Voting by proxy for registered holders***

You are a Registered Shareholder if your High Arctic Common Shares are held in your name or if you have

a certificate for High Arctic Common Shares. As a Registered Shareholder, you can vote in the following ways:

In Person	Attend the Meeting and register with the Transfer Agent upon your arrival. Do not fill out and return your proxy if you intend to vote in person at the Meeting.
Mail	Enter voting instruction, sign the form of proxy and send your completed form in the accompanied pre-paid envelope to:  Odyssey Trust Company Attention: Proxy Department Trader's Bank Building, Suite 702, 67 Yonge St.  Toronto, Ontario, M5E 1J8
Fax	1-800-517-4553
Email	proxy@odysseytrust.com  Please scan and fax both pages of your completed, signed form of proxy.
Internet	Visit the following website <a href="https://login.odysseytrust.com/pxlogin">https://login.odysseytrust.com/pxlogin</a>

Your vote must be received by 3:00 p.m. (Calgary time) on June 13, 2024 or the day that is two (2) Business Days immediately preceding the date prior to any adjournment or postponement thereof. Late proxies may be accepted or rejected by the Chair of the Meeting in his discretion, and the Chair is under no obligation to accept or reject any particular late proxy. The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion, without notice.

**If you vote by telephone or via the Internet, do not complete or return the form of proxy.**

***Voting for Non-Registered Shareholders***

If your High Arctic Common Shares are not registered under your name, they will likely be registered under the name of your broker or an agent of that broker (the “**Intermediary**”). **Each Intermediary has its own procedures; please follow them carefully to ensure that your shares are voted at the Meeting according to your instructions.**

Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Your Intermediary should have sent you this Circular, together with either (a) the Voting Instruction Form ("VIF") to be completed and signed by you and returned to them as required, or (b) a form of proxy, which has already been signed by the Intermediary and is restricted as to the number of shares beneficially owned by you, to be completed by you and returned to the Transfer Agent no later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the commencement of the Meeting. To vote in person at the Meeting, a Non-Registered Shareholder should, in the case of a VIF, follow the instructions set out on the VIF and, in the case of a form of proxy, insert his or her name in the blank space provided and return the form of proxy to the Transfer Agent no later than 48 hours, excluding Saturdays, Sundays and holidays, prior to the commencement of the Meeting.

Late proxies from Non-Registered Shareholders may be accepted or rejected by the Chair of the Meeting in his discretion, and the Chair is under no obligation to accept or reject any particular late proxy. The time limit for deposit of proxies may be waived or extended by the Chair of the Meeting at his or her discretion, without notice.

Broadridge provides an online proxy voting portal at <https://www.proxyvote.com> for certain brokerage firms. To determine if online proxy voting is available, Beneficial Shareholders should contact their broker and obtain a unique control number. Some brokers include the control number on postal and electronically mailed voting forms.

## **Dissent Rights**

### ***Do I have a right of dissent in respect of any of the matters to be considered at the meeting?***

Yes. Registered Shareholders are entitled to Dissent Rights in connection with the adoption of the Arrangement Resolution. Those Shareholders who properly exercise their Dissent Rights will be entitled to be paid fair value for their High Arctic Common Shares. If you wish to dissent from the High Arctic Arrangement Resolution, you must provide a dissent notice to High Arctic, care of DLA Piper (Canada) LLP, 1000, 250 2nd Street S.W., Calgary, AB, T2P 0C1 Attention: Roy Hudson, and that notice must be received not later than 3:00 p.m. (Calgary Time) on June 13, 2024 or the day that is two (2) Business Days immediately preceding the date on which the Meeting may be postponed or adjourned.

It is important that you strictly comply with the dissent requirements, which are summarized in the Circular, otherwise your Dissent Rights may not be recognized.

You do not have Dissent Rights with respect to any other resolution being proposed at the Meeting.

## **About the Arrangement**

### ***How is the Arrangement to be achieved?***

The Arrangement will be carried out pursuant to the provisions of the ABCA. An arrangement is a statutory corporate reorganization that is supervised and approved by a court. If the Arrangement is approved at the Meeting and the other conditions specified in the Arrangement Agreement are satisfied or waived (for a summary of such conditions, see "*The Arrangement Agreement - Conditions to the Arrangement Becoming Effective*" in the Circular). High Arctic will apply to the Court of King's Bench of Alberta (previously defined as the "**Court**") for a final order approving the Arrangement. If the final order is granted by the Court, High Arctic and SpinCo will complete the Arrangement shortly thereafter.

### ***What is the recommendation of the High Arctic Board?***

The High Arctic Board, after consulting with its financial and legal advisors, has unanimously determined that the Arrangement is fair to the Shareholders, is in the best interests of High Arctic, and **recommends that Shareholders vote FOR the High Arctic Arrangement Resolution to be considered at the Meeting**, as discussed in more detail below. See "*The Arrangement – Recommendations of the High Arctic Board*" for more details.

### ***Why does the Board recommend that Shareholders vote FOR the High Arctic Arrangement Resolution?***

In the course of its evaluation of the Arrangement, the Board consulted with High Arctic's senior management, legal counsel and financial advisors, considered the strategic alternatives available to the Corporation, reviewed a significant amount of information, and considered a number of factors. Certain of the expected benefits to the Shareholders and reasons for the Arrangement, among others, are listed as follows (see "*The Arrangement – Reasons for the Arrangement*" and "*The Arrangement – Fairness Opinion*" for a more comprehensive discussion of the reasons why the Board is



recommending that Shareholders vote FOR the High Arctic Arrangement Resolution):

1. The benefits of dividing the Corporation into its distinct businesses;
2. Providing the Shareholders with an opportunity to maintain their equity stake in the PNG Business;
3. Each company will be owned by Shareholders on a pro rata basis with reference to the number of High Arctic Common Shares held prior to the Arrangement;
4. The Arrangement is expected to improve the market's identification and valuation of each company and allow Shareholders, investors and analysts to more accurately compare, evaluate and value each of the companies on a stand-alone basis against appropriate peers, benchmarks and performance criteria specific to that company;
5. Each company will have independent access to capital (equity and debt) which management believes will result in more focused capital allocation;
6. The procedures by which the Arrangement is to be approved, including the requirement for approval of the Arrangement by the Court after a hearing at which fairness to the Corporation's securityholders will be considered;
7. Lightyear rendered to the High Arctic Board its oral opinion, subsequently confirmed by delivery of a written opinion dated May 9, 2024, that as of the date of such opinion and based upon and subject to the assumptions, limitations, qualifications and conditions described in Lightyear's written opinion, the consideration to be received by Shareholders pursuant to the Arrangement was fair, from a financial point of view, to such Shareholders;
8. The availability of rights of dissent to Shareholders with respect to the Arrangement; and
9. The tax treatment of the Arrangement is expected to be tax efficient for Canadian tax purposes for most shareholders.

The High Arctic Board also recommends that Shareholders vote FOR each of the Return of Capital

Resolution, and the Compensation Plan Resolution, the SpinCo Equity Incentive Plan Resolution. See *"Particulars of the Matters To Be Acted Upon - Approval of the Return of Capital Resolution, and Approval of SpinCo Equity Incentive Plan"*.

***Who will the directors and executive officers of High Arctic and SpinCo be?***

Upon completion of the Arrangement (and assuming that the nominated directors are elected at the Meeting), the High Arctic Board will consist of four independent directors, being Simon Batcup (Chair), Douglas Strong, Michael Binnion, and Craig Nieboer. The management team of High Arctic post-Arrangement will consist of: Michael Maguire (Interim CEO), Lonn Bate (CFO), Trevor Barker (GM Operations), and Justin Morrical (Business Development Manager). See, Appendix "D" - *"Information Concerning High Arctic Post-Arrangement"*.

High Arctic is actively pursuing permanent CEO placement options. The appointment of a new CEO is considered to be fundamental business of the new High Arctic Board. If the Arrangement is approved Mike Maguire will assume the role in an interim capacity and transition CEO duties to any new CEO appointed by the Board.

Upon completion of the Arrangement, the SpinCo Board will consist of Michael Binnion, Michael Maguire, and Bruce Apana, with Michael Binnion acting as Chair of the SpinCo Board, and the management team of SpinCo will consist of: Michael Maguire (CEO), Lonn Bate (Interim CFO), Stephen Lambert (COO), Chris Fraser (VP Strategy & Growth) and Matthew Cocks (VP Finance).

***Will any directors or officers of High Arctic receive any change of control or other payments in connection with the Arrangement Agreement?***

No, none of the directors or officers of High Arctic will receive any change of control or other payments in connection with the Arrangement. See *"The Arrangement - Employment Agreements"*.



***Will there be any acceleration of High Arctic Options in connection with the Arrangement?***

No. There are currently no High Arctic Options outstanding, and it is expected that there will be no High Arctic Options outstanding on the Effective Date.

***How will the aggregate general and administrative expense of SpinCo and post-Arrangement High Arctic compare to the general and administrative expenses of the current High Arctic?***

It is anticipated that, other than a dedicated CEO for each of SpinCo and post-Arrangement High Arctic, there will be no additional employees required in the near term. There will be an increase to the aggregate general and administrative expenses as a result of increased demand for professional services, including auditors, listing fees and transfer agents. This increase will be off-set by lower office costs in Canada, as post-Arrangement High Arctic will seek smaller office premises, while SpinCo will continue to use existing offices in Brisbane.

***Will post-Arrangement High Arctic and SpinCo have sufficient financial resources to carry out their respective capital programs in 2024 and 2025?***

Yes, It is anticipated that planned capital programs of post-Arrangement High Arctic and SpinCo will be financed from existing capital resources and from the independent cash flows of the separated businesses.

See Appendix "D" - *"Information Concerning High Arctic Post-Arrangement"* - *"Description of the Business - Capital Plans"* and Appendix "E" - *"Information Concerning SpinCo Post-Arrangement"* - *"Description of the Business - Business Objectives and Milestones"* for a description of the capital programs of post-Arrangement High Arctic and SpinCo.

***Do any directors or officers of High Arctic have any interests in the Arrangement that are different from, or in addition to, those of the Shareholders?***

In considering the recommendation of the High Arctic Board to vote FOR the High Arctic Arrangement Resolution, the SpinCo Equity Incentive Plan Resolution, the Compensation Plan Resolution and the Return of Capital Resolution, Shareholders should be aware that some of the directors and officers of High Arctic have interests in the Arrangement that are different from, or in addition to, the interests of Shareholders generally. Certain directors and officers of High Arctic hold DSUs, which if the Compensation Plan Resolution is approved, will

be redeemed for High Arctic Common Shares, cash or both. Certain officers hold PSUs and RSUs which if the Arrangement is approved, will be redeemed for High Arctic Common Shares, or cash or both. Also, certain Directors and officers will become eligible to participate in the SpinCo Equity Incentive Plan and/or remain eligible for participation in the High Arctic Equity Compensation Plans.

See *"The Arrangement – Interests of Certain Persons in the Arrangement – High Arctic Directors and Officers"*.

***When can I expect to receive the proceeds of the Return of Capital?***

Assuming approval of the Return of Capital Resolution, the completion of the Arrangement, payments of the Return of Capital will be made on or about July 24, 2024, and in any event no later than July 27, 2024.

If you hold your High Arctic Common Shares through an intermediary, then proceeds will be issued to the intermediary who will facilitate payment to you. If you hold your High Arctic Common Shares through an intermediary, you should contact your intermediary if you have questions regarding this process.

In the case of Registered Shareholders payment will be issued directly to you.

***When is the Arrangement expected to be completed?***

The Arrangement is expected to close on or about July 31, 2024, assuming that the required shareholder approvals of High Arctic, Court approval and regulatory approvals have been received by such time, and subject to the other terms and conditions set out in the Arrangement Agreement.

***I own High Arctic Common Shares. What will I receive if the Arrangement and/or Return of Capital is approved?***

If the Arrangement is approved, non-Dissenting Shareholders will receive one quarter (1/4) of one New High Arctic Common Share and one quarter (1/4) of one SpinCo Common Share for each High Arctic Common Share held. Shareholders will also receive up to \$0.76 (on a fully-diluted basis) per High Arctic Common Share (prior to the Arrangement) if the Return of Capital Resolution is approved.

***I own High Arctic Common Shares. Will my interest as a shareholder of High Arctic be diluted as a result of the Arrangement?***

No. Shareholders will hold the same percentage interest in High Arctic following the Arrangement as they held in High Arctic immediately prior to the Arrangement and Shareholders will hold the same percentage interest in SpinCo following the Arrangement as they held in High Arctic immediately prior to the Arrangement. For example, a shareholder who holds one percent of the outstanding Common Shares of High Arctic immediately prior to the Arrangement will hold one percent of the outstanding SpinCo Common Shares and one percent of the outstanding New High Arctic Common Shares following the completion of the Arrangement. The fractional share exchange ratio for the exchange of High Arctic Common Shares for SpinCo Common Shares and New High Arctic Common Shares will not result in a change in the percentage shareholder interest of a shareholder.

***When can I expect to receive the New High Arctic Common Shares and SpinCo Common Shares for my High Arctic Common Shares and What Do I Need to Do?***

Assuming completion of the Arrangement, if you hold your High Arctic Common Shares through an intermediary, then you are not required to take any action and the New High Arctic Common Shares and SpinCo Common Shares will be delivered to your intermediary through the procedures in place for such purposes between CDS or similar entities and such intermediaries. If you hold your High Arctic Common Shares through an intermediary, you should contact your intermediary if you have questions regarding this process.

In the case of Registered Shareholders, as soon as practicable after the Effective Date, assuming due delivery of the required documentation, including the applicable High Arctic Common Share certificates and a duly and properly completed Letter of Transmittal, High Arctic and SpinCo will cause the Depositary to forward DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares to which the Registered Shareholders as shown on the register maintained by the Transfer Agent or at the address set out in the Letter of Transmittal, unless the Registered Shareholder indicates in the Letter of Transmittal that it wishes to pick up the DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares. See “Exchange and Distribution of Certificates and DRS Advices” in the Circular.

***Approval of the Arrangement, the Return of Capital and Other Matters Proposed at the Meeting***

***What approvals are required for the Arrangement, the Return of Capital and the other matters proposed at the meeting to be effective?***

The various special items of business and the requisite levels of approval from Shareholders for each is set forth below:

<b>Resolution</b>	<b>Requisite Level of Shareholder Approval</b>
Arrangement Resolution	(i) No less than 2/3 of the votes cast by Shareholders present in person or voting by proxy; and (ii) a majority of the votes cast by the Minority Shareholders.
Return of Capital Resolution	No less than 2/3 of the votes cast by Shareholders present in person or voting by proxy
Compensation Plan Resolution	No less than 50% + 1 of the votes cast by Shareholders present in person or voting by proxy; votes of Directors holding High Arctic DSUs will be excluded
SpinCo Equity Incentive Plan Resolution	No less than 50% + 1 of the votes cast by Shareholders present in person or voting by proxy

It is the intention of the Management Designees to vote FOR each of the aforementioned resolutions.

***How will I know when all required approvals have been received?***

High Arctic plans to issue a press release describing the timing of the implementation of the Arrangement if the Court grants the Final Order and all other necessary approvals have been received and conditions have been satisfied or waived.

***What happens if the Shareholders do not approve the Arrangement or any of the other matters at the Meeting?***

If High Arctic does not receive the required vote by Shareholders in favour of the Arrangement Resolution, the Arrangement will not become effective, and High Arctic has the discretion not to proceed with the Return of Capital Resolution. If the Arrangement Resolution is not approved, the Compensation Plan Resolution and the SpinCo Equity Incentive Plan Resolutions will not be effected.

It is a condition in the Arrangement Agreement that Shareholders approve the Return of Capital Resolution, the Compensation Plan Resolution and the SpinCo Equity Incentive Plan Resolutions. If any of these resolutions are not approved, High Arctic may, in its sole discretion, choose not to proceed with the Arrangement, even if it is approved.

***Will the New High Arctic Common Shares continue to be listed on the TSX?***

It is expected that the New High Arctic Common Shares will either continue to be listed on the TSX or be listed on the TSXV. Assuming that the Arrangement is completed on July 31, 2024, trading of the New High Arctic Common Shares is expected to commence three or four Business Days thereafter. See "*Certain Legal and Regulatory Matters - Stock Exchange Listings*".

***Will the SpinCo Common Shares be listed on the TSXV?***

An application has been made to have the SpinCo Common Shares listed on the TSXV. Listing will be subject to, amongst other things, SpinCo meeting the original listing requirements of the TSXV, and meeting all conditions of continued listing imposed by the TSXV. There can be no assurance as to whether, or when, the SpinCo Common Shares will be listed for trading on the TSXV or any other designated stock exchange. If SpinCo meets the original listing requirements of the TSXV and assuming that the Arrangement is completed on July 31, 2024, trading of the SpinCo Common Shares is expected to commence three or four Business Days thereafter. See "*Certain Legal and Regulatory Matters - Stock Exchange Listings*".

***How will the initial share price of each company be determined?***

The initial share price of the New High Arctic Common Shares and the SpinCo Common Shares will be determined by the market.

***What are the Stated Capital Reduction and Return of Capital?***

The Stated Capital Reduction is a proposed reduction in the capital account maintained by the corporation in respect of the High Arctic Common Shares, calculated prior to the Arrangement, by an aggregate amount of up to \$0.76 multiplied by the number of High Arctic Common Shares issued and outstanding. Approval of the Stated Capital Reduction enables High Arctic to distribute the same amount to Shareholders as a Return of Capital. The Return of

Capital is expected to be completed immediately prior to the completion of the transactions contemplated by the Arrangement.

***Tax Consequences of the Return of Capital and Arrangement to Shareholders***

***What are the tax consequences of the Return of Capital to me as a Shareholder of High Arctic***

Because the proceeds for the Return of Capital will be derived from the Well Servicing Transaction, subsection 84(4.1) of the Tax Act should not deem the Return of Capital to be treated as a dividend for the purposes of the Tax Act. If the amount received by Shareholder pursuant to the Return of Capital exceeds the adjusted cost base of the High Arctic Common Shares held by such Shareholder, the excess will be deemed to be a capital gain of such holder.

In general, a Non-Resident Holder should not be subject to tax under the Tax Act as a result of the Return of Capital.

For a more detailed description of the Canadian federal income tax consequences to Shareholders as a result of the Return of Capital, see "*Income Tax Considerations - Canadian Federal Income Tax Considerations - Return of Capital*".

***What are the tax consequences of the Arrangement to me as a Shareholder of High Arctic?***

In general, it is not expected that a Resident Holder will realize a dividend as a result of the Arrangement, as the fair market value of the SpinCo Common Shares is expected to be less than the PUC of the High Arctic Common Shares at the Effective Time. A Resident Holder will realize a capital gain to the extent that the fair market value of the SpinCo Common Shares received pursuant to the Arrangement exceeds the ACB of its High Arctic Common Shares.

In general, a Non-Resident Holder should not be subject to tax under the Tax Act as a result of the Arrangement.

For a more detailed description of the Canadian federal income tax consequences to Shareholders as a result of the Arrangement, see "*Income Tax Consequences - Certain Canadian Federal Income Tax Consequences*".

Shareholders should consult their own tax advisors with respect to their particular circumstances.

***What is the recommendation of the High Arctic Board?***

The High Arctic Board **recommends that Shareholders vote FOR the Return of Capital to be considered at the Meeting**, as discussed in more detail below. See “Particulars of the *Matters to be Acted Upon – Return of Capital Resolution*” for more details.

***When is the Return of Capital expected to be completed?***

Assuming Shareholder approval is obtained, the Return of Capital is expected to be completed no later than July 27, 2024. The Return of Capital must be completed no later than such date in order to be eligible for certain tax treatment of the Return of Capital under the Tax Act. See “*Income Tax Considerations - The Return of Capital*.”

***Will SpinCo be subject to Canadian income tax on the earnings of its foreign subsidiaries?***

It is expected that SpinCo will not be subject to Canadian income tax on the earnings of its foreign subsidiaries. As Canada has tax treaties in place with Papua New Guinea, Singapore and Australia, the home countries of its active foreign subsidiaries, it is expected that any dividends received by SpinCo from operations carried on in those countries will be treated as “exempt surplus” dividends and not subject to Canadian income tax.

It is expected that SpinCo’s foreign subsidiaries will be subject to corporate income tax in the countries in which they operate and that such countries may impose withholding tax on dividends paid to SpinCo at the reduced rates provided by the applicable tax treaties.

This tax treatment is consistent with the tax treatment that High Arctic currently enjoys with respect to the earnings of its foreign subsidiaries.

**Eligibility for Investment**

***Will the New High Arctic Common Shares and SpinCo Common Shares be eligible for my registered plan(s)?***

Yes, provided that the New High Arctic Common Shares continue to be listed on the TSX or the TSXV and once the SpinCo Common Shares become listed on the TSX or the TSXV, they will constitute qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability plans, registered education savings plans, tax-free savings accounts and first home savings accounts. See “*Income Tax Considerations - Canadian Federal Income Tax Considerations - The Arrangement - Eligibility for Investment*”.

## GENERAL PROXY MATTERS

### Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management of High Arctic for use at the Meeting of the holders of Common Shares to be held at Viking Room, Calgary Petroleum Club, 319 5 Avenue SW, Calgary, Alberta T2P 0L5, on Monday, June 17, 2024 at 3 p.m. (Calgary time) and at any adjournment thereof for the purposes set forth in the accompanying notice of meeting ("**Notice of Meeting**"). The cost of such solicitation will be borne by the Corporation.

### Appointment of Proxies

**The persons named (the "Management Designees") in the enclosed instrument of proxy ("Instrument of Proxy") have been selected by the directors of the Corporation and have indicated their willingness to represent as proxy the shareholder who appoints them. A shareholder has the right to designate a person (whom need not be a shareholder) other than the Management Designees to represent him or her at the Meeting.** Such right may be exercised by inserting in the space provided for that purpose on the Instrument of Proxy the name of the person to be designated and by deleting there from the names of the Management Designees, or by completing another proper form of proxy and delivering the same to the transfer agent of the Corporation. Such shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and should provide instructions on how the shareholder's shares are to be voted. The nominee should bring personal identification with him/her to the Meeting. In any case, the form of proxy should be dated and executed by the shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form). In addition, a proxy may be revoked by a shareholder personally attending at the Meeting and voting his/her shares.

A form of proxy will not be valid for the Meeting or any adjournment thereof unless it is completed and delivered to the Corporation's transfer agent, Odyssey Trust Company, Attn: Proxy Department, Trader's Bank Building, Suite 702, 67 Yonge St., Toronto, Ontario, M5E 1J8 at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, before the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chair of the Meeting in his discretion, and the Chair is under no obligation to accept or reject any particular late proxy.

### Revocation of Proxies

A shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends at the Meeting in person at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chair of the Meeting on the day of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy is revoked. A shareholder who revokes his or her proxy and does not replace it with another that is deposited with the Corporation's transfer agent, Odyssey Trust Company, at least forty-eight (48) hours (excluding Saturdays, Sundays, and holidays) before the Meeting may not vote his or her shares in any manner at the Meeting.

### Persons Making the Solicitation

**The solicitation is made on behalf of the Corporation by its management.** The costs incurred in the preparation and mailing of the Instrument of Proxy, Notice of Meeting and this Circular will be borne by the Corporation.

In addition to solicitation by mail, proxies may be solicited by personal interviews, telephone or other means of communication and by directors, officers and employees of the Corporation, who may be remunerated therefore.

In accordance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, arrangements may be made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the share held of

record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

### **Exercise of Discretion by Proxy**

The shares represented by proxy in favour of the Management Designees shall be voted on any ballot at the Meeting and, where the shareholder specifies a choice with respect to any matter to be acted upon, the shares shall be voted on any ballot in accordance with the specification so made.

**In the absence of such specification, the shares will be voted in favour of the matters to be acted upon. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred with discretionary authority with respect to amendments or variations of those matters specified in the Instrument of Proxy and Notice of Meeting. At the time of printing this Circular, management knows of no such amendment, variation, or other matter.**

### **Notice to Beneficial Shareholders**

**The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold shares in their own name.** Shareholders who hold shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold shares in their own name (referred to in this Circular as “**Beneficial Shareholders**”) should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation’s registrar and transfer agent as registered holders of shares will be recognized and acted upon at the Meeting. If shares of the Corporation are listed in an account statement provided to a Beneficial Shareholder by a broker, those shares will, in all likelihood, not be registered in the shareholder’s name. Such shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the Instrument of Proxy provided directly to registered shareholders by the Corporation. However, its purpose is limited to instructing the registered shareholder (i.e. the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”) in Canada.

Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting.

Broadridge also provides an online proxy voting portal at <https://www.proxyvote.com> for certain brokerage firms. To determine if online proxy voting is available, Beneficial Shareholders should contact their broker and obtain a unique control number. Some brokers include the control number on postal and electronically mailed voting forms.

**A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote shares of the Corporation directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of shares of the Corporation must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have shares of the Corporation**

**voted. If you have any questions respecting the voting of shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting shares of the Corporation registered in the name of their broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All reference to shareholders in this Circular and the accompanying Instrument of Proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

## **INFORMATION CONCERNING THE CORPORATION**

### **Voting Shares and Principal Holders of Voting Shares**

The High Arctic Board has fixed May 13, 2024 as the Record Date. Shareholders at the close of business on the Record Date are entitled to receive notice of the Meeting and to vote thereat or at any adjournment or postponement thereof on the basis of one vote for each Common Share held, except to the extent that: (i) a registered shareholder has transferred the ownership of any Common Shares subsequent to the Record Date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that he, she or it owns the Common Shares and demands, not later than ten (10) days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case the transferee will be entitled to vote such Common Shares at the Meeting.

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. As at the date hereof, 49,122,302 Common Shares and nil Preferred Shares were issued and outstanding. To the knowledge of the directors and officers of the Corporation, no person or company beneficially owns, directly or indirectly, or exercises direction or control over voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation other than FBC Holdings Sàrl, which owns 21,916,634 Common Shares representing approximately 44.6% of the outstanding Common Shares as of the date hereof. The information as to the Common Shares beneficially owned or which control or direction is exercised over is not within the knowledge of the Corporation and has been derived from public sources available to the Corporation.

### **Quorum for Meeting**

At the Meeting, a quorum shall consist of two or more persons either present in person or represented by proxy and representing in the aggregate not less than 5% of the outstanding Common Shares of the Corporation. If a quorum is not present at the Meeting within one-half hour after the time fixed for the holding of the Meeting, it shall stand adjourned to such day being not less than fourteen (14) days later and to such place and time as may be determined by the Chair of the Meeting. At such Meeting, the shareholders present either personally or by proxy shall form a quorum.

### **Approval Requirements**

Except as provided for below, all matters to be considered at the Meeting are ordinary resolutions requiring approval by more than 50% of the votes cast in respect of the resolution by or on behalf of shareholders present in person or represented by proxy at the Meeting.

#### *Arrangement Resolution*

Under the ABCA, a corporation may apply to the Court for an order approving an arrangement in respect of the corporation. In order to be approved, the resolution to approve the Arrangement (the "**Arrangement Resolution**") must receive the affirmative vote of (i) at least two-thirds (2/3) of the votes cast by the Shareholders; and (ii) a majority of the Minority Shareholders, in each case present in person or voting by proxy at the Meeting.

See “*Matters to be Acted Upon at the Meeting – The Arrangement Resolution*” and “*Certain Legal and Regulatory Matters - Canadian Securities Laws - Application of MI 61-101*”.

#### *Return of Capital Resolution*

Under the ABCA, a corporation may reduce its stated capital for the purpose of distributing to shareholders an amount not exceeding the stated capital of the class or series, if such transaction is approved by “special resolution”. “Special resolution” as defined in the ABCA, is a resolution approved by a majority of not less than two-thirds (2/3) of the votes cast by Shareholders who voted in respect of the resolution.

Accordingly, the resolution to approve the Return of Capital (the “**Return of Capital Resolution**”) must be approved by a majority of not less than two-thirds (2/3) of the votes cast by Shareholders who voted in respect of the resolution.

The Return of Capital Resolution will provide that the Board will have the discretion to determine not to proceed with the Return of Capital and to rescind the Return of Capital Resolution. In particular, if any of the other resolutions proposed at the Meeting are not approved, the Board has the discretion to not proceed to effect any of the resolutions that are passed.

See “*Matters to be Acted Upon at the Meeting - Approval of Return of Capital Resolution - Details of the Return of Capital Resolution*”.

### **PARTICULARS OF THE MATTERS TO BE ACTED UPON**

To the knowledge of the High Arctic Board, the only matters to be brought before the meeting are those matters set forth in the accompanying Notice of Meeting.

#### **1. The Arrangement Resolution**

At the Meeting, Shareholders will be asked to consider, and if deemed appropriate, approve, with or without variation, the Arrangement Resolution. In order to be approved, the Arrangement Resolution must receive the affirmative vote of (i) at least two-thirds (2/3) of the votes cast in respect of the Arrangement Resolution by the Shareholders; and (ii) a majority of the Minority Shareholders, in each case present in person or voting by proxy at the Meeting. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the Arrangement Resolution.** See “*General Proxy Matters - Proxy Voting*”.

See “*The Arrangement*”, “*The Arrangement Resolution*”, and “*Procedure for the Arrangement to Become Effective*” for further details regarding the Arrangement and the Arrangement Agreement.

**A copy of the Arrangement Agreement is attached hereto as Appendix “B”, including a copy of the Plan of Arrangement attached as Appendix “A” to the Arrangement Agreement. A copy of the Arrangement Resolution is attached hereto as Appendix “A”.**

#### **2. Return of Capital Resolution**

At the Meeting, shareholders will be asked to approve the reduction of the stated capital account maintained by High Arctic in respect of the High Arctic Common Shares by an amount to be determined by the High Arctic Board, in its sole discretion, such amount not to exceed \$0.76 multiplied by the number of High Arctic Common Shares issued and outstanding at the time that the Board makes any such determination (the “**Stated Capital Reduction**”), for the purpose of permitting a special distribution to be made to Shareholders of up to \$0.76 per High Arctic Common Share (on a fully diluted basis, prior to the Arrangement) as a return of capital (the “**Special Distribution**”, and together with the Stated Capital Reduction, the “**Return of Capital**”). The Return of Capital Resolution must be approved by a majority of not less than two-thirds (66 2/3%) of the votes cast by Shareholders present in person or voting by proxy at the Meeting.

The Board unanimously recommends that Shareholders vote in favour of the Return of Capital Resolution. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the Arrangement Resolution.** See “*General Proxy Matters - Proxy Voting*”.



### *Details of the Return of Capital Resolution*

A distribution by Return of Capital is expected to be generally more tax advantageous to shareholders than a dividend. See "*Income Tax Considerations*" below.

The aggregate amount of the Return of Capital is expected to be \$38.2 million, representing the full proceeds received by the Corporation for the sale of certain assets in its well servicing operations to Precision Drilling on July 27, 2022 (the "**Well Servicing Transaction**"). This maximum amount also represents the majority of the Corporation's accessible surplus liquid assets.

Based on the number of issued and outstanding High Arctic Common Shares as of the Record Date, on a fully diluted basis, holders of High Arctic Common Shares as of the close of business on a date to be determined by the Board (the "**Return of Capital Record Date**") are expected to receive up to \$0.76 per High Arctic Common Share. The Return of Capital represents an expected aggregate payment of \$38.2 million to holders of High Arctic Common Shares pursuant to section 38(1)(b) of the ABCA, derived from the proceeds of the Well Servicing Transaction. This maximum amount also represents the majority of the Corporation's accessible surplus liquid assets.

Applicable policies of the TSX provide that listed issuers generally must use "due bills" in connection with cash distributions to shareholders where the amount to be distributed is more than 25% of the current trading price of an issuer's listed shares. The Corporation expects that the TSX will require the Corporation to use due bills in respect of the Return of Capital. Due bills represent entitlements to cash and will attach to Common Shares between the Return of Capital Record Date and the payment date for the Return of Capital, inclusive, allowing Common Shares to carry the value of the entitlement to the Return of Capital until it is paid. When due bills are used, the ex-distribution date is deferred to the first trading day after the payment date. The Return of Capital is currently expected to be paid on or about July 24, 2024 and the High Arctic Common Shares are expected to commence trading "ex-distribution" on the TSX on or about July 25, 2024. The foregoing dates for the Return of Capital are subject to change; the definitive dates will be announced by the Corporation by way of news release.

### *Payment of the Special Distribution*

If the Return of Capital Resolution is approved by shareholders at the Meeting, the High Arctic Board will be authorized to declare and pay the Special Distribution of up to \$0.76 per High Arctic Common Share on each outstanding High Arctic Common Share, calculated on a fully diluted basis, prior to the Arrangement.

Under the ABCA, a corporation may reduce its stated capital for the purpose of distributing to shareholders an amount not exceeding the stated capital of the class or series, if such transaction is approved by "special resolution". A "special resolution" as defined in the ABCA, is a resolution approved by a majority of not less than two-thirds (2/3) of the votes cast by Shareholders who voted in respect of the resolution.

### *The Resolution*

At the Meeting, Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a special resolution, the text of which is as follows:

"BE IT RESOLVED THAT:

1. The board of directors of High Arctic Energy Services Inc. (the "**Board**") be and is hereby authorized to reduce the stated capital account maintained by High Arctic Energy Services Inc. (the "**Corporation**") in respect of its common shares pursuant to paragraph 38(1)(b) of the *Business Corporations Act* (Alberta) by an amount to be determined by the Board, in its sole discretion, such amount not to exceed \$0.76 multiplied by the number of common shares issued and outstanding at the time that the Board makes any such determination (the "**Stated Capital Reduction**"), for the purpose of permitting a special distribution to be made to holders of common shares of up to \$0.76 per common share as a return of capital (the "**Return of Capital**");
2. Notwithstanding that this special resolution has been duly passed by the shareholders of the Corporation, the Board is authorized to determine at any time, in its sole discretion, not

to proceed with the Stated Capital Reduction and the Return of Capital, and to revoke this special resolution without further approval of the shareholders of the Corporation; and

3. Any one or more directors or officers of the Corporation are hereby authorized to execute and deliver, whether under corporate seal or otherwise, all such agreements, instruments, notices, consents, acknowledgements, certificates and other documents (including any documents required under applicable laws or regulatory policies), and to perform and do all such other acts and things, as any such director or officer in his or her discretion may consider to be necessary or advisable from time to time in order to give effect to this special resolution."

#### *Recommendation of the Directors*

The High Arctic Board has reviewed the Return of Capital Resolution and concluded that it is fair and reasonable to the Shareholders and in the best interest of the Corporation. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the foregoing resolutions to approve the Return of Capital.**

#### *Approval*

The Return of Capital Resolution will require approval of at least two-thirds (2/3) of the votes cast in respect of the Return of Capital Resolution by the Shareholders, present in person or voting by proxy, at the Meeting.

The approval of the Return of Capital Resolution is a condition precedent to the completion of the Arrangement. If the Return of Capital Resolution is not approved, High Arctic may choose, in its sole discretion, to not proceed with the Arrangement. Furthermore, if the Return of Capital Resolution is approved but the Arrangement Resolution or any of the other resolutions proposed at the Meeting are not approved, High Arctic may choose, in its sole discretion, not to proceed with the Return of Capital.

### **3. Compensation Plan Resolution**

In the Corporation's view, the outstanding units under the High Arctic DSU Plan are representative of a prior investment by Directors over several years in most cases, and the accelerated vesting and release or redemption of such units is fair, and permits the holders of the High Arctic DSUs to participate equitably in the benefits offered by completion of the Arrangement and the Special Distribution. In particular, approval of the Compensation Plan Resolution is necessary to ensure that Directors have no incentive to resign from the Board in order to realize the benefit that they have earned in the form of such units.

At the Meeting, shareholders of the Corporation will be asked to approve the Compensation Plan Resolution, pursuant to which, on such date prior to the completion of the Return of Capital and the Arrangement as determined by the Board, all of the outstanding units under the High Arctic DSU Plan will be redeemed for Common Shares, cash or any combination of Common Shares and cash, in the discretion of the Board having regard to the 1% Limit (as defined below) and the individual circumstances of each holder of units.

The Board intends that to the extent permitted under the terms of the High Arctic DSU Plan, the units outstanding under the High Arctic DSU Plan will be redeemed for Common Shares, but that the Corporation may redeem such additional units for cash, to enable Directors to meet income tax obligations.

The Board intends that the Corporation will only proceed with the transactions contemplated by the Compensation Plan Resolution, if the Arrangement Resolution is approved. Furthermore, if the Compensation Plan Resolution is not approved, High Arctic, may choose, in its discretion, to not proceed with the Arrangement or the Return of Capital.

#### *High Arctic DSU Plan*

The High Arctic DSU Plan provides that deferred share units issued pursuant to the High Arctic DSU Plan ("High Arctic DSUs") will be redeemed after the holder ceases to serve as a director of, or is not an employee or officer of, the Corporation or one of its subsidiaries. The High Arctic DSU Plan provides that the High Arctic DSUs will be

redeemed by either paying or issuing, at the Corporation's discretion, cash equal to the fair market value of the Common Shares represented by the High Arctic DSUs net of applicable withholding taxes, or that number of Shares, less applicable withholding taxes. High Arctic DSUs held by a director of the Corporation who is a US resident shall be redeemed in cash, after deducting and remitting any applicable withholding taxes.

As of May 9, 2024, High Arctic DSUs representing 970,017 Common Shares (equal to approximately 1.91% of the outstanding Common Shares on a fully diluted basis) were outstanding under the High Arctic DSU Plan. High Arctic DSU's are held by the Corporation's directors as follows:

Simon Batcup	95,296
Michael Binnion	570,496
Hon. Joseph Oliver	213,319
Douglas Strong	90,906

The High Arctic DSU Plan provides that the aggregate number of High Arctic Common Shares that may be reserved for issuance pursuant to High Arctic DSUs credited under the High Arctic DSU Plan, together with all other security-based-compensation arrangements of High Arctic that provide for the issuance of High Arctic Common Shares to non-employee Directors, shall not exceed one percent (1%) of the issued and outstanding High Arctic Common Shares from time to time (the "**1% Limit**"). In order to maintain compliance with the terms of the High Arctic DSU Plan, High Arctic has entered into amending agreements with each of the holders of High Arctic DSUs, pursuant to which the holders have agreed that any High Arctic DSUs in excess of the 1% Limit can only be settled in cash, not in Common Shares. As of May 9, 2024, there are 49,122,302 Common Shares issued and outstanding, meaning that up to 491,223 of the outstanding High Arctic DSUs may be settled in Common Shares, with the remaining 478,794 High Arctic DSUs to be settled in cash.

In accordance with the Compensation Plan Resolution, all outstanding High Arctic DSUs will be redeemed on such date prior to the completion of the Arrangement as determined by the Board. The Board intends that to the extent permitted under the terms of the High Arctic DSU Plan, the units outstanding under the High Arctic DSU Plan will be redeemed for Common Shares, but that the Corporation may redeem additional units for cash to enable Directors to meet income tax obligations.

#### *High Arctic PSU Plan*

In accordance with the terms of the High Arctic PSU Plan, the Board has determined to accelerate the vesting of issued but unvested performance share units ("**High Arctic PSUs**") and restricted share units ("**High Arctic RSUs**") issued pursuant to the High Arctic PSU Plan, and determine the release date of each vested High Arctic PSU and High Arctic RSU ("**Unit Release Date**"). On the Unit Release Date, the Corporation shall either make a cash payment to the holder of the vested High Arctic PSU or High Arctic RSU equal to the fair market value of the Common Shares represented by the vested High Arctic PSU or High Arctic RSU, less applicable withholding taxes, or issue that number of Common Shares to the holder, less applicable withholding taxes. The Board intends to settle in cash any units outstanding under the High Arctic PSU Plan where the holder holds less than 50,000 units, and intends that all others will be settled for Common Shares. The outstanding High Arctic PSUs will be settled at a performance multiple of 1.0x.

As of May 9, 2024, 180,538 High Arctic PSUs and 140,059 High Arctic RSUs (equal to approximately 0.65% of the outstanding Common Shares) were outstanding under the High Arctic PSU Plan. Officers of the Corporation with unvested High Arctic PSUs and High Arctic RSUs hold in total the following quantities:

Stephen Lambert	83,563
Michael Maguire	198,622

As at the Effective Date, there were 970,017 High Arctic DSUs and 320,597 High Arctic PSUs and High Arctic RSUs outstanding representing approximately 2.6% of the 50,412,916 common shares issued and outstanding on a fully diluted basis.

#### *Shareholder Approvals Required*

The TSX Company Manual ("**TSX Rules**") provides that security holder approval is required for any amendment to a security based compensation arrangement unless the arrangement contains a provision empowering the listed issuer's board of directors to make the specific amendment. The provisions of the High Arctic DSU Plan do not permit the accelerated redemption of units and do not empower the Board to make such an amendment without shareholder approval. Under the terms of the High Arctic DSU Plan, DSUs may only be redeemed after the date a Director ceases to serve as a director of High Arctic and is not otherwise an employee or officer of High Arctic. Accordingly, the approval of the Shareholders for the accelerated redemption of the High Arctic DSUs is required under TSX Rules.

Furthermore, the TSX Rules provide that the votes of securities held directly by insiders who benefit directly or indirectly from the amendment, must be excluded. Therefore, the votes of Common Shares held by Directors who own High Arctic DSUs must be excluded from the Compensation Plan Resolution.

In absence of contrary direction, the Management Designees intend to vote proxies in the accompanying form in favour of this ordinary resolution.

The text of the ordinary resolution which management intends to place before the Meeting for the Compensation Plan Resolution is as follows:

"BE IT RESOLVED as an ordinary resolution of the Corporation that:

1. The accelerated redemption of all outstanding DSUs under the DSU Plan of the Corporation (the "**DSU Redemption**") is hereby approved and authorized;
2. The DSU Redemption is to be effected on such date or dates as may be determined by the Board;
3. Notwithstanding that this resolution has been duly passed by the shareholders of the Corporation, the Board is authorized to determine at any time, in its sole discretion, not to proceed with the DSU Redemption and to revoke this resolution without further approval of the shareholders of the Corporation; and
4. any one (or more) director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution."

#### **4. Approval of SpinCo Equity Incentive Plan**

As the High Arctic Equity Compensation Plans will not carry forward to SpinCo, and in contemplation of the Arrangement becoming effective, the directors of SpinCo have adopted the SpinCo Equity Incentive Plan, the full text of which is attached as Appendix "A" to the Plan of Arrangement, which is attached as Schedule "A" to the Arrangement Agreement, attached as Appendix "B" to this Circular. At the Meeting, Shareholders will be asked to approve and ratify the SpinCo Equity Incentive Plan.

The aggregate number of SpinCo Common Shares that may be subject to issuance under the SpinCo Equity Incentive Plan, together with any other security-based compensation arrangements of SpinCo will not exceed 10% of the issued and outstanding SpinCo Common Shares from time to time.

For a description of the SpinCo Equity Incentive Plan, please refer to “*Summary of SpinCo Equity Incentive Plan*”, attached as Schedule “C” to Appendix “E” - *Information Concerning SpinCo Post-Arrangement*. The SpinCo Equity Incentive Plan will be approved by the SpinCo Board prior to the Effective Date.

#### *The Resolution*

At the Meeting, Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, an ordinary resolution, the text of which is as follows:

“BE IT RESOLVED THAT:

1. Effective on the Effective Date (as defined in the management information circular of High Arctic Energy Services Inc. dated May 9, 2024), the equity compensation plan of High Arctic Overseas Holdings Corp. substantially in the form presented to this meeting of shareholders (the “**SpinCo Equity Incentive Plan**”), be and is hereby approved and adopted as the equity compensation plan of SpinCo, with such modifications, if any, as may be required by the TSX Venture Exchange (the “**TSXV**”), or other applicable stock exchange;
2. any one or more directors or officers of SpinCo are authorized to make such amendments to the SpinCo Equity Incentive Plan from time to time as the board of directors of SpinCo may, in its discretion, consider to be appropriate, provided that such amendments will be subject to the approval of applicable regulatory authorities and must be in accordance with the terms of the SpinCo Equity Incentive Plan; and
3. the approval of the SpinCo Equity Incentive Plan by the board of directors of SpinCo is hereby ratified and confirmed and any one or more directors or officers of SpinCo be and is hereby authorized to do all such acts and execute and file all instruments and documents necessary or desirable to carry out this resolution, including making appropriate filings with regulatory authorities including the TSXV, or other applicable stock exchange.”

#### *Recommendation of the Directors*

The High Arctic Board and the SpinCo Board have reviewed the SpinCo Equity Incentive Plan and concluded that the SpinCo Equity Incentive Plan is fair and reasonable to the Shareholders and is in the best interest of the Corporation and SpinCo. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the foregoing resolutions to approve the SpinCo Equity Incentive Plan.**

Should the SpinCo Equity Incentive Plan not be approved by the Shareholders, the SpinCo Board is of the view that SpinCo's ability to attract and retain the best personnel for the continued development of SpinCo's business will be extremely limited.

#### *Approval*

The resolution approving the SpinCo Equity Incentive Plan will require approval by a majority of votes cast on the matter at the Meeting.

The approval of the SpinCo Equity Incentive Plan Resolution is a condition precedent to the completion of the Arrangement. If the SpinCo Equity Incentive Plan Resolution is not approved, High Arctic may choose, in its sole discretion, to not proceed with the Arrangement.

## **5. Report and Financial Statements**

At the Meeting, shareholders will receive and consider the audited financial statements of the Corporation for the financial year ended December 31, 2023 and the auditor's report on such statements. The financial statements are also available on the Corporation's SEDAR+ profile at [www.sedarplus.com](http://www.sedarplus.com) and will be tabled at the Meeting.

## 6. Fixing the Number of Directors

At the Meeting, shareholders will be asked to fix the number of directors for the present time at four (4), as may be adjusted between meetings of shareholders by way of resolution of the High Arctic Board.

**Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for an ordinary resolution in favour of electing the number of directors to be elected at the Meeting at four (4).**

## 7. Election of Directors

The Corporation currently has four (4) directors. The following table sets forth the name of each of the persons proposed to be nominated for election as a director, all positions and offices in the Corporation presently held by such nominee, the nominee's municipality of residence, principal occupation at present and during the preceding five years (where required), the period during which the nominee has served as a director, and the number and percentage of High Arctic Common Shares that the nominee has advised are beneficially owned by the nominee, directly or indirectly, or over which control or direction is exercised, as of the date hereof.

Honourable Joe Oliver has informed the Corporation that he does not intend to stand for re-election as a director at the Meeting, and that he intends to resign prior to the Meeting.

Craig Nieboer will stand for election as a director at the Meeting. Mr. Nieboer is a Chartered Professional Accountant, CPA, CA with over 25 years in the domestic and international oil and gas industries. Up until its sale, he most recently served as Chief Financial Officer of TSX - listed Pipestone Energy Corp., and prior to that he served as CFO of CES Energy Solutions Corp. (TSX: CEU) from 2008 to 2018 where he was instrumental in its growth and build-out into a leader in the oilfield chemical vertical. Mr. Nieboer has his ICD.D designation and currently sits on the board of several private oilfield service companies.

**Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote for the election of the persons named in the following table to High Arctic Board.** Management does not contemplate that any of such nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, proxies held by Management Designees will be voted for another nominee in their discretion unless the shareholder has specified in his form of proxy that his Common Shares are to be withheld from voting in the election of directors. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the ABCA to which the Corporation is subject.

<b>Name, Municipality of Residence, Office and Date Became a Director</b>	<b>Present Occupation and Position Held During the Last Five Years</b>	<b>Number and Percentage of Common Shares Held or Controlled as of the date hereof <sup>(5)(6)</sup></b>
Michael R. Binnion <sup>(1)(2)(3)(5)(</sup> Calgary, Alberta, Canada Director and Chairman	Mr. Binnion is the Chairman of the Corporation. He is also President and Chief Executive Officer of Questerre Energy Corporation, a position held since November 2000.	1,916,867 (Approximately 3.9%)
Simon P.D. Batcup <sup>(2)(3)(4)</sup> Guelph, Ontario, Canada Director	Mr. Batcup is an independent businessman. He has been a Principal of Osborne Interim Management since November 2013 and was formerly a Director of Brauerei Fahr Incorporated.	283,700 (Less than 1%)

Name, Municipality of Residence, Office and Date Became a Director	Present Occupation and Position Held During the Last Five Years	Number and Percentage of Common Shares Held or Controlled as of the date hereof <sup>(5)(6)</sup>
Douglas J. Strong <sup>(1)(2)(3)(4)(5)</sup> Calgary, Alberta, Canada Director	Mr. Strong is a Chartered Professional Accountant, CPA, CA with 37 years of experience, having been with Precision Drilling for 21 years in several senior financial and operational roles, including Chief Financial Officer from 2005 to 2010 and as President of Completion & Production Services responsible for operations in Canada and the US from 2010 to 2015.	75,000 (Less than 1%)
Craig F. Nieboer <sup>(7)</sup> Calgary, Alberta, Canada	Mr. Nieboer is a Chartered Professional Accountant, CPA, CA and has his ICD.D designation. Mr. Nieboer is Executive Director, Varigate Technologies Inc. (October 2023 to present); Chief Financial Officer, Pipestone Energy Corp. (February 2019 to October 2023); Director, Element Technical Services Inc. (2011 to Present)	10,000 (less than 1%)

Notes:

- (1) Member of Audit Committee
- (2) Member of Governance and Nominating Committee
- (3) Member of Remuneration Committee
- (4) Member of Quality, Health, Safety and Environment Committee
- (5) High Arctic Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as of the date hereof, based upon information furnished to the Corporation by the above individuals.
- (6) Based on 49,122,302 High Arctic Common Shares issued and outstanding as of the date hereof.
- (7) Proposed member of the Audit Committee

In accordance with policies of the TSX, the High Arctic Board has adopted a majority voting policy in director elections that will apply at any meeting of the Corporation's shareholders where an uncontested election of a director is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation to the High Arctic Board promptly following the applicable shareholders' meeting, with the resignation to take effect upon acceptance of the High Arctic Board. The Governance and Nominating Committee will consider the director nominee's offer to resign and will make a recommendation to the High Arctic Board as to whether or not to accept the resignation. In considering whether or not to accept the resignation, the Governance and Nominating Committee may consider the stated reasons why shareholders "withheld" votes from the election of that nominee, the existing board composition, the tenure and the qualifications of the director whose resignation has been tendered, the director's past meeting attendance and contributions to the Corporation, the Corporation's corporate governance policies and such other skills and qualities as the Governance and Nominating Committee deems to be relevant.

The High Arctic Board will act on the recommendation of the Governance and Nominating Committee and make a decision as to whether to accept the director's offer to resign within 90 days of the Meeting. The Board of Directors will be expected to accept the director's offer of resignation unless it decides that there are exceptional circumstances which prevent the High Arctic Board from accepting it and will publicly disclose its decision, including the reasons for the High Arctic Board's decision if the director's resignation is not accepted. No director who is required to tender his or her resignation shall participate in the deliberations or recommendations of the Governance and Nominating Committee or the High Arctic Board. If a director's offer of resignation is accepted, the High Arctic Board may fill the vacancy through the appointment of a new director whom the High Arctic Board considers appropriate.

*Cease Trade Orders or Bankruptcies*

Other than as described below, no proposed director, within 10 years before the date of this Circular, has been a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “**Order**”) that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director, within 10 years before the date of this Circular, has been a director or executive officer of any company that, while the proposed director was acting in that capacity, or within a year of the proposed director ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

#### *Personal Bankruptcies*

No proposed director has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director.

#### *Penalties and Sanctions*

No proposed director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

#### *Constitution of the High Arctic Board Post-Arrangement*

If the Arrangement Resolution is approved at the Meeting, it is expected that the High Arctic Board will be constituted as set out in Appendix “D” and that Simon Batcup will be appointed as Chair of the High Arctic Board. See Appendix “D” - “*Information Concerning High Arctic Post-Arrangement - Directors and Officers*”.

### **8. Appointment of Auditor**

The shareholders of the Corporation will be asked to pass an ordinary resolution appointing KPMG LLP, Chartered Professional Accountants (“**KPMG LLP**”), as auditors of the Corporation, to hold office until the next annual general meeting of shareholders or until the firm of KPMG LLP is removed from office or resigns as provided by the Corporation's by-laws or law and to authorize the Board of Directors to fix the remuneration to be paid thereto. KPMG LLP has been the Corporation's auditors since 2021. **Unless otherwise directed, it is the intention of the Management Designees, if named as proxy, to vote in favour of the ordinary resolution appointing KPMG LLP, Chartered Professional Accountants, as auditors of the Corporation for the next ensuing year and to authorize the Board to fix the remuneration of KPMG LLP.**



## THE ARRANGEMENT

### Background to the Arrangement and the Return of Capital

After reflection on High Arctic's core strength and future opportunities, in July 2022 the Corporation made a strategic decision to divest certain well servicing and snubbing assets in Canada, to two separate purchasers, and in July 2023 the Corporation sold its Canadian nitrogen pumping business (the "**Sale Transactions**").

Following the Sale Transactions, High Arctic retains in Canada a rentals business focused on pressure control equipment, snubbing assets in the USA which remain idle, industrial property and an investment in a private energy services company, Team Snubbing Services Inc. The PNG business remained unchanged, comprising a drilling services business with one customer owned rig deployed, significant investment in idle drilling assets awaiting an anticipated upswing in activity in the coming years, a rentals business geared towards remote material handling equipment, camps and other wellsite equipment, and a manpower solutions business providing both personnel and training services to the natural resources sector.

In aggregate, the total of the contracts for the drilling services performed in PNG accounted for approximately 77% of the Corporation's revenue in 2023 (2022 - 38% and 2021 -14%).

As a result of receiving the cash proceeds of the Sale Transactions, the Corporation had working capital of approximately \$62.7 million which included a cash balance of approximately \$50.4 million as at December 31, 2023.

Although the Corporation reviewed opportunities to redeploy its excess working capital in North America and elsewhere, the High Arctic Board has determined to seek shareholder approval for the Arrangement and the Return of Capital.

The Arrangement and Return of Capital are intended to divide the Corporation into its distinct businesses, return a significant amount of surplus capital to Shareholders and provide the Shareholders with an opportunity to maintain their equity stake in the PNG Business through SpinCo, while continuing to hold their current equity stake in High Arctic.

In order to distribute the net proceeds of the Sale Transactions in a tax efficient manner for Shareholders, the Corporation is proposing the Stated Capital Reduction. Approval of the Return of Capital Resolution is required to enable the Return of Capital.

In the event that the Return of Capital does not receive the requisite Shareholder approval, the High Arctic Board cannot proceed with the Return of Capital. The High Arctic Board considers each of the Return of Capital Resolution, the Compensation Plan Resolution, and the SpinCo Equity Incentive Plan Resolution to be part of the reorganization of High Arctic reflected by the Arrangement and the Return of Capital, and if any one element is not approved by the requisite majority, the High Arctic Board may determine not to proceed with the Arrangement or the Return of Capital.

### Reasons for the Arrangement

High Arctic's Board and management are of the view that the Corporation has historically been unable to derive appropriate value from the market that represents the sum of the parts. We have also found a lack of synergy between the businesses in PNG and Canada. In separating the PNG Business from the Corporation, High Arctic's Board and management believe value can be created for the Shareholders. For the holders of SpinCo Common Shares, separation provides the opportunity for SpinCo to consider transactions with a wider group of PNG focused companies, and greater flexibility to relocate in the future to a market that better understands PNG and is likely to ascribe greater value to SpinCo. For the holders of New High Arctic Common Shares, the transaction opens up opportunities for High Arctic to participate in Canadian M&A activity where the PNG Business may have been perceived as an impediment to accretive transactions.

For some time the Corporation has both pursued or entertained potential business combination transactions. The distinctly different profiles of the North American and PNG businesses have proven to be the main impediment to unearthing transactions acceptable to all parties and in the best interests of Shareholders. Finding unique companies desirous of being linked to both distinct businesses has proven futile. Companies to whom association

with our North American Business may be attractive are a distinctly broader group and do not overlap with the international companies with whom the PNG Business and its risk profile may fit well.

Board and Management unanimously agree that the separation of these two businesses will ensure that management are dedicated to enhancing the value of each business and able to access new pathways to transformative and accretive transactions that are currently inaccessible.

The summary below illustrates side by side the differences in key attributes of the two businesses:

### **PNG Business**

Geographically positioned in Australasia. Papua New Guinea is a developing country with the challenges that are common to emerging economies: socio-economic disparity, high inflation, frequently changing politics, high unemployment, immature public institutions, lack of infrastructure, high crime rates as well as unique linguistic, cultural, economic and security challenges. All of which add up to a high cost of business and a high risk – high reward operating and business environment.

Service offerings are centred upon oil and gas well drilling services coupled with a smaller scale manpower and training business as well as remote equipment rentals. While expandable, the profitability of these latter two are heavily linked to the drilling activity.

The services are provided in frontier territory with little or no infrastructure and substantive logistical challenges. There is a high degree of involvement in the planning and execution of the customer's operational activity. Personnel are domiciled in remote camps on a fly-in fly-out basis. The PNG Business's track record of successfully delivering high quality services in this challenging environment is the fundamental business capability that the PNG Business can leverage for future growth and development.

The local currency, the Papua New Guinea kina, is centrally controlled and not extensively traded in international currency markets. There are controls on the conversion and distribution of cash derived in PNG out of PNG.

The management of the PNG Business have developed a unique skillset that has, in the past, delivered outstanding growth and profitability. Engagement in PNG with the business, regulatory and customer community is essential to maintain a market leading position.

### **North American Business**

Canada is a highly developed country with high per capita GDP, a well educated population, stable political system and two dominant languages. It is a member of the G7 nations.

Service offerings to the energy industry are centred on oilfield pressure control equipment rentals, and other field deployable rental equipment. Customers include energy companies and their contractors.

The services are within driving distances from major regional centres. There is a well-developed supply chain, mature and world class engineering, manufacturing and maintenance centres, and a comprehensive suite of support industries. Employees can mostly return home from work each day.

The Canadian dollar is a liquid and well traded world currency. It is readily exchangeable to all globally traded currencies.

There is a large and complex network of businesses that have developed over the past century to support the mature Canadian energy industry. Management needs to be consistently and broadly engaged in a network of business peers to optimise exposure to business opportunities.

The customer base is concentrated. It comprises large regional customer and global multi-national energy companies.

The customer base is diverse, includes local, regional, national and international energy companies and contractors of all sizes.

Apart from incentivising dedicated and focused key management to create value through the pursuit of opportunities in PNG, separating a stand-alone PNG Business creates access to additional potential growth pathways. Some of these are ways in which the PNG Business can proactively position itself to respond to increasing demands by the PNG government for the use of local contractors.

- Maximizes the options available to partner with local businesses, leveraging the core capability of the PNG Business in the delivery of a broader range of services,
- Enhanced potential for a future listing of the PNG Business on an exchange in the Australasian region, where the PNG market is more widely understood among investors and financiers,
- Potential to raise capital in the local debt market for growth investment, or through equity raise which could include a second listing on the PNGx, PNG's national stock exchange,
- Adds the possibility of aggregation by PNG focused corporations to the list of potential future liquidity events, which also includes Canadian headquartered multi-national energy services and extractive industry services companies, international drilling services companies, and energy companies in PNG seeking vertical integration synergies.

The cornerstones for the post-reorganization business strategy for the PNG Business include:

1. leveraging the core PNG planning and logistics capability behind our success in PNG to diversify our service offerings there,
2. deploying idle assets to profitable operations in the advancement of prominent natural resources and infrastructure projects,
3. strengthening local content in the supply chain, in our service delivery, and in the value derived from our services,
4. establishing an efficient corporate structure, that provides the opportunity to consider transactions which would create value for SpinCo's shareholders,
5. increasing participation in the local and regional business, finance and investment communities, and
6. seeking out opportunities to expand and root the business in the Australasian region.

#### North American Business

For the North American Business, the opportunities created through the Arrangement are in growing its existing business and becoming an aggregator. Once separated from the PNG Business, companies to whom association with our North American Business may be attractive to transact with becomes distinctly broader. North American Business management can selectively pursue mergers and acquisitions that are value accretive to Shareholders, while organically growing its core business through selective and opportunistic investments.

Over the past two years the Corporation has divested underperforming and non-core businesses. Now the Corporation retains a low operating cost, a high margin equipment rental business centered upon pressure control, a non-operating, minority interest in Canada's largest oilfield snubbing services business, Team Snubbing Services Inc., and industrial properties at Clairmont and Whitecourt in Alberta, Canada.

During 2024, Canada is poised to expand oil and gas takeaway capacity to global markets and evolving attitudes to energy security and decarbonization are stimulating investment in both alternative energy supply and carbon sequestration. The current Canadian energy services industry has numerous small well-run private companies that

are seeking a liquidity event. There are limited buyers in the current market. Low trading multiples makes executing an accretive acquisition difficult for the limited buyers that are publicly traded.

From a corporate tax and shareholder return perspective, the Canadian business has considerable shelter from future corporate income taxes as the Corporation has more than \$130 million non-capital tax loss carry-forwards available. Preservation and utilization of these loss carry-forwards coupled with an effective business strategy provides an opportunity for potential superior future shareholder returns.

A stand-alone North American Business unlocks the following optionality:

- Distinctly broadens the group of companies with whom High Arctic can explore accretive and transformational transactions,
- Simplifies the corporate profile and provides for greater clarity to benchmark corporate performance and trading multiples with peers,
- Enables the potential to leverage all of the assets of the Corporation to raise debt for expansionary investment, and broadens the possible sources of debt, and
- Creates an efficient vehicle with which to aggregate North American businesses in the energy services and supply sector, including the emerging renewables and energy decarbonization industries.

The cornerstones for the initial post reorganization strategy for the North American Business include:

1. a focus on Canadian business activity;
2. growing the core business through selective and opportunistic investments;
3. leveraging High Arctic's people, assets, systems and work processes;
4. sustaining capital stewardship that preserves balance sheet strength and financial flexibility;
5. building up the business with accretive acquisitions that allow the Corporation to optimize its available tax loss carry-forwards; and

positioning for an efficient corporate structure, that provides the opportunity to consider transactions which would create value for the Corporation's shareholders.

As a result of the Arrangement, Shareholders stand to benefit by

- retained proportional ownership of High Arctic's PNG Business, through a new publicly traded Canadian parent company with exposure to the potential for high returns from future expansionary projects in PNG,
- the return of up to \$0.76 per High Arctic Common Share, prior to the Arrangement, for Shareholders to invest as they determine, and
- the proportional ownership of High Arctic's North American Business, with the potential for value growth through an accretive acquisition strategy.

In the course of its evaluation of the Arrangement, the High Arctic Board consulted with High Arctic's senior management, financial advisors and legal counsel, reviewed a significant amount of information and considered a number of factors. As a result of such deliberations, the High Arctic Board believes that the Arrangement is in the best interests of the Corporation for the following reasons:

1. The benefits of dividing the Corporation into its distinct businesses;
2. Providing the Shareholders with an opportunity to maintain their equity stake in the PNG Business;

3. Each company will be owned by Shareholders on a pro rata basis with reference to the number of High Arctic Common Shares held prior to the Arrangement;
4. The Arrangement is expected to improve the market's identification and valuation and allow Shareholders, investors and analysts to more accurately compare, evaluate and value each of the companies on a stand-alone basis against appropriate peers, benchmarks and performance criteria specific to that company;
5. Each company will have independent access to capital (equity and debt) which management believes will result in more focused capital allocation;
6. The procedures by which the Arrangement is to be approved, including the requirement for approval of the Arrangement by the Court after a hearing at which fairness to the Corporation's securityholders will be considered;
7. Lightyear rendered to the High Arctic Board its oral opinion, subsequently confirmed by delivery of a written opinion dated May 9, 2024, that as of the date of such opinion and based upon and subject to the assumptions, limitations, qualifications and conditions described in Lightyear's written opinion, the consideration to be received by Shareholders pursuant to the Arrangement was fair, from a financial point of view, to such Shareholders;
8. The availability of rights of dissent to Shareholders with respect to the Arrangement; and
9. The tax treatment of the Arrangement is expected to be tax efficient for Canadian tax purposes for most shareholders.

In the course of its deliberations, the High Arctic Board also identified and considered a variety of risks and potentially negative factors, including, but not limited to the risks set out under "*Risk Factors to the Arrangement*".

The foregoing discussion summarizes the material information and factors considered by the High Arctic Board in their consideration of the Plan of Arrangement. The High Arctic Board collectively reached its unanimous decision with respect to the Plan of Arrangement in light of the factors described above and other factors that each member of the High Arctic Board felt were appropriate. In view of the wide variety of factors and the quality and amount of information considered, the High Arctic Board did not find it useful or practicable to quantify, rank or otherwise assign relative weights to or make specific assessments of the specific factors considered in reaching its determination. Individual members of the High Arctic Board may have given different weight to different factors.

### Shareholder Approval of the Arrangement

Subject to any further order(s) of the Court, the Arrangement must be approved by: (i) at least 66<sup>2/3</sup> of the votes cast by Shareholders; and (ii) a majority of the votes cast by Minority Shareholders present, whether in person or by proxy, and entitled to vote at the Meeting. See "*Certain Legal and Regulatory Matters - Canadian Securities Laws - Application of MI 61-101*".

### Fairness Opinion

In connection with the evaluation by the High Arctic Board of the Arrangement, the High Arctic Board considered, among other things, the Fairness Opinion of Lightyear in respect of fairness, from a financial point of view, to Shareholders of the consideration to be received by Shareholders pursuant to the Arrangement. The following summary of the Fairness Opinion is qualified in its entirety by reference to the full text of the Fairness Opinion, a copy of which is attached as Appendix "C" to this Circular. **Shareholders are urged to, and should, read the Fairness Opinion in its entirety. The Fairness Opinion does not constitute a recommendation to the High Arctic Board or to any other persons in respect of the Arrangement, including as to how any Shareholder should vote or act in respect of the Arrangement Resolution or any related matter.**

Pursuant to an engagement letter between High Arctic and Lightyear dated January 8, 2024, High Arctic engaged Lightyear to act as financial advisor to the High Arctic Board to assist in connection with the proposed reorganization of High Arctic into two public entities.

At a meeting of the High Arctic Board held on May 9, 2024, Lightyear rendered to the High Arctic Board its oral opinion, subsequently confirmed by delivery of a written opinion dated May 9, 2024, that as of the date of such opinion and based upon and subject to the assumptions, limitations, qualifications and conditions described in Lightyear's written opinion, the consideration to be received by Shareholders pursuant to the Arrangement was fair, from a financial point of view, to such Shareholders.

The Fairness Opinion does not address the relative merits of the Arrangement as compared to other business or financial strategies or transactions that might be available with respect to High Arctic or High Arctic's underlying business decision to effect the Arrangement. The Fairness Opinion does not address any terms of the Arrangement Agreement or the Plan of Arrangement, except as specifically set forth therein.

Lightyear has not been engaged to prepare a Formal Valuation (as such term is defined in MI 61-101) of High Arctic or a valuation of any of the securities or assets of High Arctic and the Fairness Opinion should be construed accordingly.

**The full text of the Fairness Opinion, which sets forth, among other things, assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by Lightyear in rendering its opinion, is attached as Appendix "C" to this Circular.** The Fairness Opinion was addressed to, and provided for the information and assistance of, the High Arctic Board (solely in its capacity as such) in connection with its consideration of the Arrangement. The Fairness Opinion does not constitute a recommendation to the High Arctic Board or to any other persons in respect of the Arrangement, including as to how any Shareholder should vote or act in respect of the Arrangement Resolution or any related matter.

Neither Lightyear, nor any of its affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)) of High Arctic, SpinCo or any of their respective associates or affiliates.

As of the date of the Fairness Opinion, there are no understandings, agreements or commitments between Lightyear and High Arctic, SpinCo or any of their respective associates or affiliates, with respect to any future business dealings. Lightyear may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for or participate in financings involving High Arctic or SpinCo.

Lightyear acts as a securities trader and dealer, both as principal and agent, in major financial markets and, as such, may have had, may have and may in the future have long or short positions in securities of High Arctic, SpinCo or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it may have received or may receive compensation. As an investment dealer, Lightyear may, in the ordinary course of business, provide investment advice to its clients on investment matters, including with respect to High Arctic or SpinCo or the Arrangement.

Lightyear's affiliates, directors, officers and employees may have investments in High Arctic, SpinCo and other participants in the Arrangement or the solicitation process or their respective affiliates, subsidiaries, investment funds and portfolio companies.

High Arctic will pay Lightyear a fixed fee in connection with the delivery of the Fairness Opinion, which is not contingent upon the completion of the Arrangement. High Arctic has also agreed to reimburse Lightyear for certain expenses and to indemnify it against certain liabilities arising out of or in connection with its engagement.

### **Recommendation of the High Arctic Board**

After careful consideration, the High Arctic Board has unanimously determined that the Arrangement is fair to the Shareholders and is in the best interests of High Arctic. **The High Arctic Board unanimously recommends that Shareholders vote FOR the Arrangement Resolution.**

The officers and directors of High Arctic beneficially own, directly or indirectly, or exercise control or direction over, in the aggregate, 3,046,483 High Arctic Common Shares, representing approximately 6.2% of the High Arctic Common Shares outstanding as of the date hereof.

## Effect of the Arrangement

If the proposed Arrangement is approved by the Shareholders and the Court and the other conditions precedent to completion of the Arrangement are satisfied or waived, High Arctic's assets will be divided between two separate publicly traded companies and each Shareholder (other than a Dissenting Shareholder) will hold, for each High Arctic Common Share held: (i) one quarter (1/4) of one New High Arctic Common Share; and (ii) one quarter (1/4) of one SpinCo Common Share. The Effective Date is expected to be on or about July 31, 2024.

Upon completion of the Arrangement, all of the SpinCo Common Shares will be owned by the Shareholders (other than Dissenting Shareholders) on a pro rata basis. Pursuant to the Arrangement, SpinCo will acquire all of the shares of HAES Cyprus, the assets of which include the PNG Business. The North America Business will continue to be owned by post-Arrangement High Arctic.

For information concerning the North America Business and the proposed business of the Corporation post-Arrangement, please see Appendix "D" - *"Information Concerning High Arctic Post-Arrangement"*, which should be read together with the financial statements of the Corporation incorporated by reference herein.

For information concerning the PNG Business, and the proposed business of SpinCo post-Arrangement, please refer to Appendix "E" - *"Information Concerning SpinCo Post-Arrangement"*, together with the financial information contained therein, as well as the audited balance sheet of SpinCo contained in Appendix "F", the financial statements of HAES Cyprus contained in Appendix "G" and the pro forma financial statements of SpinCo contained in Appendix "H" of this Circular.

## Arrangement Mechanics

*The following description of the Arrangement is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is attached as Appendix "B" to this Circular, and the Plan of Arrangement, which forms Schedule A to the Arrangement Agreement. Each of these documents should be read carefully in their entirety.*

Pursuant to the Plan of Arrangement, save and except for Dissenting Shares, the following principal steps will occur and be deemed to occur in the following chronological order as part of the Arrangement:

1. The High Arctic Common Shares held by any Dissenting Shareholders, who duly exercise their Dissent Rights and who are ultimately entitled to be paid fair value for those High Arctic Common Shares, will be deemed to have been transferred to High Arctic and cancelled and will cease to be outstanding at the Effective Time, and such Dissenting Shareholders will cease to have any rights as Shareholders other than the right to be paid the fair value for their High Arctic Common Shares by High Arctic;
2. The articles of High Arctic will be amended to:
  - a) rename and redesignate all of the issued and unissued High Arctic Common Shares as "Class A Common Shares" and amending the special rights and restrictions attached to those shares to provide the holders thereof with two (2) votes in respect of each share held, being the "High Arctic Class A Shares"; and
  - b) create and authorize the issuance of (in addition to the shares it is authorized to issue immediately before such amendment) an unlimited number of New High Arctic Common Shares;
3. SpinCo will purchase for cancellation the one SpinCo Common Share owned by High Arctic for its issue price of one dollar (\$1.00);
4. High Arctic will transfer all of the HAES Cyprus Shares to SpinCo in consideration for the issuance of that number of SpinCo Common Shares as is equal to one-quarter (1/4) of the number of issued and outstanding High Arctic Common Shares immediately prior to the Effective Time, by SpinCo to High Arctic. In respect of such transfer, High Arctic will jointly elect with SpinCo, in prescribed form and within the time allowed by subsection 85(6) of the Tax Act to have provisions of subsection 85(1) of the Tax Act apply to the transfer of the HAES Cyprus Shares. The amount added to the stated capital in respect of the SpinCo Common

Shares issued as consideration on the transfer of the HAES Cyprus Shares will equal the amount High Arctic and SpinCo agree to in their election form;

5. Each Shareholder will exchange one High Arctic Class A Share for one quarter (1/4) of one New High Arctic Common Share and one quarter (1/4) of one SpinCo Common Share, such that: (a) the stated capital account of the New High Arctic Common Shares issued by High Arctic will equal the stated capital of the former High Arctic Common Shares less the fair market value of the SpinCo Common Shares on the Effective Date; (b) no other consideration will be received by any holder of such Common Shares; and (c) the Common Shares so exchanged will be cancelled;
6. the articles of High Arctic will be amended to eliminate the High Arctic Class A Shares such that, immediately following such alteration, High Arctic will be authorized to issue an unlimited number of New High Arctic Common Shares and an unlimited number of High Arctic Preferred Shares, issuable in series;
7. The SpinCo Equity Incentive Plan will come into force and effect;
8. the directors of SpinCo will be those persons listed in Appendix "C" to the Plan of Arrangement;
9. the directors of SpinCo will have the authority to appoint one or more additional directors of SpinCo, who will hold office for a term expiring not later than the close of the next annual meeting of shareholders of SpinCo, but the total number of directors so appointed may not exceed one third of the number of Persons who become directors of SpinCo as contemplated by the paragraph above;
10. the by-laws of SpinCo will be the by-laws set out in Appendix "D" of the Plan of Arrangement, and such by-laws are hereby deemed to have been confirmed by the shareholders of SpinCo;
11. KPMG LLP will be the initial auditors of SpinCo, to hold office until the close of the first annual meeting of shareholders of SpinCo, or until KPMG LLP resigns as contemplated by Section 164 of the ABCA or are removed from office as contemplated by Section 165 of the ABCA, and the directors of SpinCo will be authorized to fix their remuneration; and
12. the registered office of SpinCo shall be located at 1000, 250 - 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 0C1.

The Board may, in its absolute discretion, determine whether or not to proceed with the Arrangement without further approval, ratification or confirmation by the Shareholders.

### **High Arctic Options**

As of the date hereof, there are no High Arctic Options outstanding, and the Corporation expects there will be no High Arctic Options outstanding on the Effective Date.

### **Employment Agreements**

As at the date hereof, High Arctic had approximately 202 employees and 6 full-time and part-time consultants. High Arctic expects approximately 14 employees to remain with High Arctic and its subsidiaries after the Arrangement becomes effective and approximately 188 employees to become employees of SpinCo, on equivalent terms of employment, before or upon the Arrangement becoming effective.

High Arctic has agreements with certain senior officers that provide for the payment of certain severance benefits if a change in control of High Arctic occurs. The Arrangement will not cause a "change in control" for purposes of such agreements.

### **Directors' and Officers' Liability Insurance**

High Arctic presently carries directors' and officers' liability insurance on behalf of its directors and officers. After the Effective Date, High Arctic will establish a new program of directors' and officers' liability insurance on behalf of the directors and officers of post-Arrangement High Arctic in respect of acts occurring after the Effective Date. SpinCo will also establish its own program of directors' and officers' liability insurance on behalf of its directors and officers.



in respect of acts occurring after the Effective Date. It is presently expected that the directors' and officers' liability insurance of each of post-Arrangement High Arctic and SpinCo will be on substantially the same terms as the current High Arctic directors' and officers' liability insurance.

High Arctic will use commercially reasonable efforts to secure directors' and officers' liability insurance for the directors and officers of High Arctic who cease to be directors and/or officers of High Arctic to become directors and/or officers of SpinCo in connection with the Arrangement on a seven year "trailing" (or "run-off") basis provided that such trailing policy is available at a reasonable cost. If a trailing policy is not available at a reasonable cost, High Arctic will maintain in effect without any reduction in scope or coverage for seven years from the Effective Date customary policies of directors' and officers' liability insurance providing protection no less favourable than the protection provided by the policies maintained by High Arctic which are in effect immediately before the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or before the Effective Date.

### **Interests of Certain Persons in the Arrangement - High Arctic Directors and Officers**

In considering the recommendation of the High Arctic Board with respect to the Arrangement, Shareholders should be aware that certain members of High Arctic's management and the High Arctic Board have certain interests in connection with the Arrangement, including those referred to below, that may present them with actual or potential conflicts of interest in connection with the Arrangement. The High Arctic Board is aware of these interests and considered them along with the other matters described above in "*The Arrangement - Background to the Arrangement*".

Pursuant to the Arrangement, the directors and officers of High Arctic will receive, in respect of each outstanding High Arctic Common Share held, one quarter (1/4) of one New High Arctic Common Share and one quarter (1/4) of one SpinCo Common Share as set out in the Plan of Arrangement on the same terms and conditions as all other Shareholders. As of the date hereof, the directors and officers of High Arctic owned an aggregate of 3,046,483 (6.2%) High Arctic Common Shares.

If the Arrangement is completed, certain of the directors and certain officers and employees of High Arctic are or will become directors, officers or employees of SpinCo and will, following completion of the Arrangement, receive remuneration for acting in that capacity and, if the SpinCo Equity Incentive Plan Resolution is passed at the Meeting, will be eligible to participate in the SpinCo Equity Incentive Plan. The directors, certain officers and employees of High Arctic that will remain directors, officers and employees of High Arctic will, following completion of the Arrangement, continue to be eligible to participate in the High Arctic Equity Compensation Plans.

If the Compensation Plan Resolution is passed, the outstanding High Arctic DSUs will be redeemed and consequently directors of High Arctic who are holders of High Arctic DSUs will receive either Common Shares, cash, or a combination of Common Shares and cash. Directors of High Arctic who receive Common Shares pursuant to the redemption of High Arctic DSUs in accordance with the Compensation Plan Resolution, will be eligible to receive the Return of Capital in respect of such Common Shares, assuming the Return of Capital is also approved by Shareholders. See "*Particulars of Matters to be Acted Upon - Compensation Plan Resolution*."

Additionally, if the Arrangement is completed, the outstanding High Arctic PSUs and High Arctic RSUs will be redeemed through a Board approved accelerated vesting and release. Certain officers, namely Michael Maguire and Stephen Lambert will receive either Common Shares, cash, or a combination of Common Shares and cash. Employees of High Arctic who receive Common Shares pursuant to the redemption of High Arctic PSUs or High Arctic RSUs, will be eligible to receive the Return of Capital in respect of such Common Shares assuming the Return of Capital is also approved by Shareholders. See "*Particulars of Matters to be Acted Upon - Compensation Plan Resolution*."

### **ARRANGEMENT AGREEMENT**

The following is a summary of the material terms of the Arrangement Agreement and is qualified in its entirety by the specific terms and conditions of such agreement. A copy of the Arrangement Agreement is attached as Appendix "B" hereto, and should be read carefully in its entirety.

## **Representations and Warranties**

The Arrangement Agreement includes certain representations and warranties of each party to the others including, but not limited, to representations and warranties relating to the authorized capital of each party.

## **Covenants**

The Arrangement Agreement contains covenants of each of the Corporation and SpinCo relating to, among other things, using all reasonable efforts and doing all things reasonably required to carry out the Arrangement.

## **Conditions to the Arrangement Becoming Effective**

The obligations of High Arctic to complete the Arrangement (subject to its right to terminate the Arrangement at any time prior to the Effective Date) are subject to the satisfaction, or in certain cases, waiver by High Arctic, of certain conditions precedent, including:

1. the Interim Order shall not have been set aside, amended or varied in a manner unacceptable to High Arctic, in its sole discretion, whether on appeal or otherwise;
2. the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Shareholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;
3. the Return of Capital Resolution shall have been approved by the requisite number of votes cast by the Shareholders at the Meeting in accordance with any applicable regulatory requirements;
4. the SpinCo Equity Incentive Plan Resolution shall have been approved by the requisite number of votes cast by the Shareholders at the Meeting in accordance with any applicable regulatory requirements;
5. the Compensation Plan Resolution shall have been approved by the requisite number of votes cast by the Shareholders at the Meeting in accordance with any applicable regulatory requirements;
6. the Final Order shall have been obtained in form and substance satisfactory to High Arctic, in its sole discretion;
7. the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to High Arctic, in its sole discretion, shall have been accepted for filing by the Registrar together with the Final Order in accordance with Subsection 193(10) of the ABCA;
8. all material consents, orders, rulings, approvals, opinions and assurances, including regulatory, judicial, third party and advisor opinions, approvals and orders, required or necessary, in the sole discretion of High Arctic, for the completion of the transactions provided for in the Arrangement Agreement and the Plan of Arrangement, shall have been obtained or received, and none of the consents, orders, rulings, approvals, opinions or assurances contemplated herein shall contain terms or conditions or require undertakings or security that are considered unsatisfactory or unacceptable by High Arctic, in its sole discretion;
9. no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of or relating to, the Arrangement and there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Arrangement Agreement, and no cease trading or similar order with respect to any securities of any of the Parties shall have been issued and remain outstanding;
10. no law, regulation or policy shall have been proposed, enacted, promulgated or applied that interferes or is inconsistent with the completion of the Arrangement, including any material change to the income tax laws of Canada or any province, state or territory thereof;
11. the New High Arctic Common Shares (including shares issuable on exercise of options issued under the High Arctic Stock Option Plan) shall either continue to be listed on the TSX or be listed on the TSXV and

the SpinCo Common Shares (including shares issuable pursuant to awards granted under the SpinCo Equity Incentive Plan) to be issued pursuant to the Arrangement shall have been conditionally approved for listing on the TSX or the TSXV, or another designated stock exchange (as defined in the Tax Act) subject to compliance with the normal listing requirements of such exchange;

12. there shall not have developed, occurred or come into effect or existence any event, action or occurrence of national or international consequences, any governmental law or regulation, state, condition or major financial occurrence, including any act of terrorism, war or like event, or other occurrence of any nature, which, in the sole discretion of High Arctic, materially adversely affects, or may materially adversely affect, the financial markets in Canada or the business, financial condition, operations or affairs of High Arctic or SpinCo (as defined in the Plan of Arrangement) going forward;
13. High Arctic Shareholders will not have validly exercised Dissent Rights in connection with the Arrangement with respect to more than 10% of the issued and outstanding High Arctic Common Shares;
14. the Fairness Opinion will not have been withdrawn or modified; and
15. the Arrangement Agreement shall not have been terminated pursuant to the termination provisions contained therein.

### **Termination**

The Arrangement Agreement may, at any time before or after the holding of the Meeting but no later than the Effective Time, be terminated by resolution of the High Arctic Board without further notice to, or action on the part of, the Shareholders, and nothing expressed or implied in the Arrangement Agreement or in the Plan of Arrangement shall be construed as fettering the absolute discretion by the High Arctic Board to elect to terminate the Arrangement Agreement and discontinue efforts to effect the Arrangement for whatever reasons it may consider appropriate.

Upon termination of the Arrangement Agreement, no party thereto shall have any liability or further obligation to any other party thereunder.

### **Amendment**

The Arrangement Agreement and the Plan of Arrangement may, at any time and from time to time before and after the holding of the Meeting but not later than the Effective Time, be amended by written agreement of the parties thereto without, subject to applicable law, further notice to or authorization on the part of the Shareholders.

The Court may also amend the Arrangement Agreement in the Final Order.

## **PROCEDURE FOR THE ARRANGEMENT TO BECOME EFFECTIVE**

### **Procedure for the Arrangement to Become Effective**

The Arrangement is proposed to be carried out under Section 193 of the ABCA. The following procedural steps must be taken in order for the Arrangement to become effective:

1. the Arrangement must be approved by the Shareholders in the manner set forth in the Interim Order;
2. if the Arrangement is approved by the Shareholders in the manner set forth in the Interim Order, and assuming all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, are satisfied or waived by the appropriate party, a hearing before the Court must be held to obtain the Final Order approving the Arrangement; and

3. if the Final Order is granted by the Court, such documents, records and information, including a copy of the entered Final Order must be filed with the Registrar as are required under the ABCA in order to give effect to the Arrangement.

### **Shareholder Approvals**

Pursuant to the terms of the Interim Order, the Arrangement Resolution must, subject to further order of the Court, be approved by at least two-thirds of the votes cast in respect of the Arrangement Resolution by the Shareholders, and a majority of the Minority Shareholders, in each case, present in person or voting by proxy at the Meeting. The full text of the Arrangement Resolution is set out in Appendix "A" to this Circular.

Notwithstanding the foregoing, the Arrangement Resolution authorizes the High Arctic Board, without further notice to or approval of the Shareholders, and subject to the terms of the Arrangement, to amend the Arrangement Agreement or to decide not to proceed with the Arrangement and to revoke the Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the ABCA.

### **Court Approval of the Arrangement**

Under the ABCA, the Corporation is required to obtain the approval of the Court to the calling of the Meeting and to the Arrangement. On April 25, 2024, the Corporation obtained the Interim Order providing for the calling and holding of the Meeting and other procedural matters. A copy of the Interim Order is attached as Appendix "J" to this Circular.

The Court hearing in respect of the Final Order is scheduled to take place at 2:00 p.m. (Calgary time) on July 12, 2024, or as soon thereafter as the Court may direct or counsel for the Corporation may be heard, at the Courthouse, 601 - 5th Street S.W., Calgary, Alberta, subject to the approval of the Arrangement Resolution at the Meeting.

At the Court hearing, all persons to whom securities would be issued in the Arrangement may participate, be represented or present evidence or argument, subject to the rules of the Court. Such persons should consult with their legal advisors as to the necessary rules and requirements. Although the authority of the Court is very broad under the ABCA, the Corporation has been advised by counsel that the Court must find, among other things, before approving the Arrangement, that its terms and conditions are fair to those to whom securities will be issued. The Court may approve the Arrangement as proposed or as amended in any manner as the Court may direct. The Court's approval is required for the Arrangement to become effective.

The Court will be advised prior to the application for the Final Order that the Court's approval of the Arrangement will form the basis for the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof with respect to the SpinCo Common Shares and the securities of the Corporation to be issued pursuant to the Arrangement. See "*Securities Law Considerations - United States Federal Securities Laws*" for additional information.

### **Stock Exchange Approvals**

Currently there is no market for the SpinCo Common Shares. It is a condition precedent to the completion of the Arrangement that the SpinCo Common Shares be conditionally approved for listing on the TSX or the TSXV or such other designated stock exchange (as defined in the Tax Act) acceptable to High Arctic. An application has been made to have the SpinCo Common Shares listed on the TSXV. Listing will be subject to, amongst other things, SpinCo meeting the original listing requirements of the TSXV, and meeting all conditions of listing imposed by the TSXV. There can be no assurance as to whether, or when, the SpinCo Common Shares will be listed for trading on the TSXV or any other designated stock exchange.

## **EXCHANGE AND DISTRIBUTION OF CERTIFICATES AND DRS ADVICES**

### **Procedure for Exchange of High Arctic Common Shares**

Odyssey Trust Company is acting as Depositary under the Arrangement. The Depositary will receive deposits of certificates representing High Arctic Common Shares and an accompanying Letter of Transmittal, at the office specified in the Letter of Transmittal and will be responsible for delivering DRS Advices representing the New High

Arctic Common Shares and SpinCo Common Shares to which former Shareholders are entitled to under the Arrangement.

At the time of sending this Circular to each Shareholder, High Arctic is also sending the Letter of Transmittal to each Registered Shareholder. The Letter of Transmittal is for use by Registered Shareholders only and is not to be used by Non-Registered Shareholders. Non-Registered Shareholders should contact their broker or other Intermediary for instructions and assistance in receiving the New High Arctic Common Shares and SpinCo Common Shares.

Registered Shareholders are requested to tender to the Depositary any share certificates representing their High Arctic Common Shares along with the duly completed Letter of Transmittal. As soon as practicable after the Effective Date, the Depositary will forward to each Registered Shareholder that submitted an effective Letter of Transmittal to the Depositary, together with the certificate or certificates representing the High Arctic Common Shares held by such Shareholder prior to the Effective Date, DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares to which the Registered Shareholder is entitled under the Arrangement, to be sent to or at the direction of such Shareholder. DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares will be registered in such name or names as directed in the Letter of Transmittal, and will be either (i) sent to the address or addresses as such Shareholder directed in its Letter of Transmittal; (ii) if no such address is specified in the Letter of Transmittal, sent to the address of the former Shareholder as shown on the register maintained by the Transfer Agent; or (iii) made available for pick up at the offices of the Depositary in accordance with the instructions of the Shareholder in the Letter of Transmittal.

A Registered Shareholder that does not submit an effective Letter of Transmittal prior to the Effective Date may take delivery of the DRS Advice for the New High Arctic Common Shares and SpinCo Common Shares which such Shareholder is entitled pursuant to the Arrangement, by delivering the certificate(s) representing High Arctic Common Shares formerly held by it to the Depositary at the office indicated in the Letter of Transmittal at any time prior to the sixth anniversary of the Effective Date. Such certificates must be accompanied by a duly completed Letter of Transmittal, together with such other documents as the Depositary may require. DRS Advice for the New High Arctic Common Shares and SpinCo Common Shares will be registered in such name or names as directed in the Letter of Transmittal, and will be (i) sent to the address or addresses as such Shareholder directed in its Letter of Transmittal, (ii) if no such address is specified in the Letter of Transmittal, sent to the address of the Shareholder as shown on the register maintained by the Transfer Agent, or (iii) made available for pick up at the office of the Depositary in accordance with the instructions of the Registered Shareholder in the Letter of Transmittal, within five Business Days of receipt by the Depositary of the required certificates and documents, or as soon as practicable.

If any certificate, which immediately before the Effective Time represented one or more outstanding High Arctic Common Shares in respect of which, pursuant to the Arrangement, the holder was entitled to receive the New High Arctic Common Shares and SpinCo Common Shares, is lost, stolen or destroyed, upon the making of an affidavit or statutory declaration of that fact by the holder claiming such certificate to be lost, stolen or destroyed, the Depositary will deliver or make available for pick-up at its offices in exchange for such lost, stolen or destroyed certificate, DRS Advice for the New High Arctic Common Shares and SpinCo Common Shares to which such Registered Shareholder is entitled to receive pursuant to the Arrangement. When authorizing delivery of DRS Advice for the New High Arctic Common Shares and SpinCo Common Shares that a Registered Shareholder is entitled to receive in exchange for any lost, stolen or destroyed certificate, such holders to whom certificates are to be delivered will be required, as a condition precedent to the delivery thereof, to give a bond satisfactory to High Arctic, SpinCo and the Depositary in such amount as High Arctic and SpinCo may direct, or otherwise indemnify High Arctic, SpinCo and the Depositary in a manner satisfactory to them, against any claim that may be made against one or both of them with respect to the certificate alleged to have been lost, stolen or destroyed.

A Registered Shareholder must deliver to the Depositary at the office listed in the Letter of Transmittal:

1. the share certificates representing their High Arctic Common Shares;
2. a Letter of Transmittal in the form provided with this Circular, properly completed and duly executed as required by the instructions set out in the Letter of Transmittal; and
3. any other documentation required by the instructions set out in the Letter of Transmittal.

Except as otherwise provided in the instructions to the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution (as defined in the Letter of Transmittal). If a Letter of Transmittal is executed by a person other than the registered holder of the High Arctic Common Share certificate(s) deposited therewith, the High Arctic Common Share certificate(s) must be endorsed or be accompanied by an appropriate securities transfer power of attorney, duly and properly completed by the registered holder, with the signature on the endorsement panel, or securities transfer power of attorney guaranteed by an Eligible Institution.

### **Cancellation of Rights after Six Years**

Subject to any escheatment or unclaimed property laws, if any certificate formerly representing High Arctic Common Shares is not duly surrendered on or before the sixth anniversary of the Effective Date: (i) the holder of such certificate will be deemed to have donated and forfeited to High Arctic or SpinCo, or their respective successors, any New High Arctic Common Shares and SpinCo Common Shares held by the Depositary in trust for the holder of the certificate formerly representing High Arctic Common Shares to which such holder is entitled; and (ii) any certificate representing High Arctic Common Shares formerly held by such holder will cease to represent a claim of any nature whatsoever and will be deemed to have been surrendered to High Arctic and SpinCo and cancelled. Neither High Arctic or SpinCo, or any of their respective successors, will be liable to any person in respect of any New High Arctic Common Share or SpinCo Common Share which is forfeited to High Arctic or SpinCo, or delivered to any public official pursuant to any applicable abandoned property, escheat or similar law.

### **Fractional Shares**

Any fractional shares issuable pursuant to the Arrangement will be rounded down to the nearest whole number.

### **DISSENT RIGHTS**

**The following description of the right to dissent (the “Dissent Rights”) and appraisal to which registered Dissenting Shareholders are entitled is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of such Dissenting Shareholder’s High Arctic Common Shares and is qualified in its entirety by reference to the text of Article 3 of the Plan of Arrangement which is attached to this Circular as part of Appendix “B”, to the full text of the Interim Order, which is attached to this Circular as Appendix “J” and the text of section 191 of the ABCA, which is attached to this Circular as Appendix “I”. A Dissenting Shareholder who intends to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of the ABCA, as modified by the Interim Order. Failure to strictly comply with the provisions of that section, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder.**

A Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing. Pursuant to the Interim Order, Dissenting Shareholders are entitled to dissent and to be paid by High Arctic the fair value of the High Arctic Common Shares held by such Dissenting Shareholder in respect of which such Dissenting Shareholder dissents, determined as of the close of business on the last Business Day before the day on which the Arrangement Resolution from which such Dissenting Shareholder dissents was approved by the Shareholders. A Dissenting Shareholder may dissent only with respect to all of the High Arctic Common Shares held by such Dissenting Shareholder or on behalf of any one beneficial owner and registered in the Dissenting Shareholder’s name. Only registered Shareholders may dissent. Persons who are beneficial owners of High Arctic Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent, should be aware that they may only do so through the registered owner of such securities. A registered Shareholders, such as a broker, who holds High Arctic Common Shares as nominee for beneficial holders, some of whom wish to dissent, must exercise dissent rights on behalf of such beneficial owners with respect to the High Arctic Common Shares held for such beneficial owners. In such case, the demand for dissent should set forth the number of High Arctic Common Shares covered by it.

Dissenting Shareholders must provide a written objection to the Arrangement Resolution to High Arctic, c/o DLA Piper (Canada) LLP, 1000, 250 - 2<sup>nd</sup> Street S.W., Calgary, Alberta T2P 0C1, Attention: Roy Hudson, by 3:00 p.m. (Calgary time) on June 13, 2024 or the day that is two (2) Business Days immediately preceding the date of any adjourned or postponed Meeting. No Shareholder who has voted in favour of the Arrangement Resolution shall be entitled to dissent with the respect to the Arrangement. A Dissenting Shareholder may not exercise the right of

dissent in respect of only a portion of such Dissenting Shareholder's High Arctic Common Shares, but may dissent only with respect to all of the High Arctic Common Shares held by the Dissenting Shareholder.

An application may be made to the Court by High Arctic or by a Dissenting Shareholder after the adoption of the Arrangement Resolution to fix the fair value of the Dissenting Shareholder's High Arctic Common Shares. If such an application to the Court is made by High Arctic, High Arctic must, unless the Court otherwise orders, send to each Dissenting Shareholder a written offer to pay the Dissenting Shareholder an amount considered by the High Arctic Board to be the fair value of the High Arctic Common Shares. The offer, unless the Court otherwise orders, will be sent to each Dissenting Shareholder at least 10 days before the date on which the application is returnable if High Arctic is the applicant or within 10 days after High Arctic is served with notice of the application if a Dissenting Shareholder is the applicant. The offer will be made on the same terms to each Dissenting Shareholder and will be accompanied by a statement showing how the fair value was determined.

Subject to the terms of the Arrangement Agreement, High Arctic may make an agreement with a Dissenting Shareholder for the purchase of such holder's High Arctic Common Shares in the amount of the offer made by High Arctic (or otherwise) at any time before the Court pronounces an order fixing the fair value of the High Arctic Common Shares.

A Dissenting Shareholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application or appraisal. On the application, the Court will make an order fixing the fair value of the High Arctic Common Shares of all Dissenting Shareholders who are parties to the application, giving judgment in that amount against High Arctic and in favour of each of those Dissenting Shareholders, and fixing the time within which High Arctic must pay that amount payable to the Dissenting Shareholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder calculated from the date on which the Dissenting Shareholder ceases to have any rights as a Shareholder, until the date of payment.

Upon the Arrangement becoming effective, or upon the making of an agreement between High Arctic and the Dissenting Shareholder as to the payment to be made to the Dissenting Shareholder, or upon the pronouncement of a Court order, whichever first occurs, the Dissenting Shareholder will cease to have any rights as a Shareholder other than the right to be paid the fair value of such Dissenting Shareholder's High Arctic Common Shares, in the amount agreed to by High Arctic and the Dissenting Shareholder or in the amount of the judgment, as the case may be. Until one of these events occurs, the Dissenting Shareholder may withdraw the Dissenting Shareholder's dissent. In addition, if the Arrangement has not yet become effective, High Arctic may rescind the Arrangement Resolution, and in either event the dissent and appraisal proceedings in respect of that Dissenting Shareholder will be discontinued.

All High Arctic Common Shares held by Dissenting Shareholders who exercise their right to dissent will, if the holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to High Arctic in exchange for a debt claim against High Arctic to be paid the fair value of such High Arctic Common Shares.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of their High Arctic Common Shares. Section 191 of the ABCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. Accordingly, each Dissenting Shareholder who might desire to exercise the right to dissent and appraisal should carefully consider and comply with the provisions of that section, the full text of which is set out in Appendix "I" to this Circular and consult their own legal advisor.

## **INCOME TAX CONSIDERATIONS**

### **Certain Canadian Federal Income Tax Considerations**

In the opinion of DLA Piper (Canada) LLP, counsel to High Arctic, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax consequences generally applicable to Shareholders in respect of the Return of Capital and the disposition of Common Shares pursuant to the Arrangement, and the acquisition, holding, and disposition of New High Arctic Common Shares and SpinCo Common Shares acquired pursuant to the Arrangement.

This summary is restricted to Shareholders who, for purposes of the Tax Act, (i) hold their Common Shares, and will hold their New High Arctic Common Shares and SpinCo Common Shares, solely as capital property, and (ii) deal at arm's length with and are not affiliated with High Arctic or SpinCo (each such Shareholder, a "**Holder**").

Generally, Common Shares, New High Arctic Common Shares and SpinCo Common Shares will be considered to be capital property to a Holder thereof provided that the Holder does not use the Common Shares, New High Arctic Common Shares or SpinCo Common Shares, as the case may be, in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired such shares in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder that:

- (1) is a "financial institution" for the purposes of the mark-to-market rules in the Tax Act or a "specified financial institution" as defined in the Tax Act;
- (2) is a person or partnership an interest in which is a "tax shelter investment" for purposes of the Tax Act;
- (3) has elected to report its Canadian federal income tax results in a currency other than Canadian currency;
- (4) has entered into or will enter into, with respect to the Common Shares, New High Arctic Common Shares or SpinCo Common Shares, a "derivative forward agreement", a "synthetic disposition arrangement", or a "synthetic equity arrangement", as those terms are defined in the Tax Act;
- (5) has acquired Common Shares under or in connection with any equity based compensation arrangement; or
- (6) is otherwise a Holder of special status or in special circumstances.

All such Holders should consult their own tax advisors with respect to the consequences of the Return of Capital and the Arrangement.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada or a corporation that does not deal at arm's length, for purposes of the Tax Act, with a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events, controlled by a non-resident person, or a group of non-resident persons not dealing with each other at arm's length, for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors.

In addition, this summary does not address the income tax considerations to holders of High Arctic DSUs, High Arctic PSUs, High Arctic RSUs or High Arctic Options.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "**Regulations**"), and our understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency. This summary takes into account all specific proposals to amend the Tax Act and Regulations (the "**Proposed Amendments**") announced by the Minister of Finance (Canada) prior to the date hereof. It is assumed that the Proposed Amendments will be enacted as currently proposed and that there will be no other change in law or administrative practice or assessing policy, whether by legislative, governmental, or judicial action or decision, although no assurance can be given in these respects. This summary does not take into account provincial, territorial or foreign income tax considerations, which may differ materially from the Canadian federal income tax considerations discussed below.

**This summary is of a general nature only and is not and should not be construed as legal or tax advice to any particular person (including a Holder as defined above). Each person who may be affected by the Return of Capital and the Arrangement should consult the person's own tax advisors with respect to the person's particular circumstances.**



## ***The Return of Capital***

This summary is based upon the understanding that the amount that will be paid by High Arctic to the Shareholders on the Return of Capital will not exceed the "paid-up capital" (as defined in the Tax Act) ("**PUC**") of the Common Shares. Management has advised counsel that the amount of the Return of Capital will be less than the PUC of the Common Shares. The Return of Capital is a distribution of cash pursuant to a reduction of the PUC of the Common Shares. PUC is the aggregate of all amounts received by a corporation upon the issuance of its shares (by class), adjusted in certain circumstances in accordance with the Tax Act. PUC differs from the "adjusted cost base" (as defined in the Tax Act) ("**ACB**") of shares to any particular Shareholder because ACB is calculated based on the amount paid by a shareholder to acquire shares of a corporation, whether on issuance by High Arctic or from a third party through the marketplace. An amount paid by a "public corporation" (as defined in the Tax Act) to its shareholders on a reduction of the PUC in respect of any class of its shares is generally deemed to be a dividend by virtue of subsection 84(4.1) of the Tax Act. However, an exception to dividend treatment applies if the amount may reasonably be considered to have been derived from proceeds of disposition realized by the corporation, or by a person or partnership in which the corporation had a direct or indirect interest at the time that the proceeds were realized, from a transaction that occurred (i) outside the ordinary course of the business of the corporation or the person or partnership that realized the proceeds, and (ii) within the period that commenced 24 months before the payment.

Counsel is of the view that that subsection 84(4.1) of the Tax Act should not deem the amount paid to Shareholders on the Return of Capital to be a dividend, as the Return of Capital can reasonably be considered to be derived from proceeds of disposition realized by High Arctic from the Well Servicing Transaction, a transaction that occurred outside the ordinary course of the business of High Arctic. **If the Return of Capital is deemed to be a dividend under the Tax Act, the provisions of the Tax Act regarding taxable dividends from a taxable Canadian corporation would apply and the summary below regarding the Return of Capital would not be applicable.**

## ***Holders Resident In Canada***

This portion of this summary applies only to Holders who are or are deemed to be resident solely in Canada for the purposes of the Tax Act and any applicable income tax treaty or convention (each, a "**Resident Holder**").

A Resident Holder whose Common Shares, New High Arctic Common Shares or SpinCo Common Shares might not otherwise qualify as capital property may be entitled to make an irrevocable election permitted by subsection 39(4) of the Tax Act to deem such shares, and every other "Canadian security" (as defined in the Tax Act), held by such person, in the taxation year of the election and each subsequent taxation year to be capital property.

## ***Return of Capital***

The amount of the Return of Capital will be paid to Resident Holders by High Arctic as a single distribution on a reduction of the stated capital of the Common Shares by High Arctic, which will reduce the PUC of the Common Shares, for purposes of the Tax Act, by an equivalent amount. A Resident Holder that receives its pro-rata portion of the Return of Capital should not be considered to have received a dividend in respect of such distribution and such distribution should not be included in the income of the Resident Holder.

However, the amount received by a Resident Holder on the Return of Capital must be deducted in computing the ACB to a Resident Holder of such Resident Holder's Common Shares. If the amount so required to be deducted from the ACB of Common Shares to a particular Resident Holder exceeds the ACB of such Common Shares to such Resident Holder immediately before such deduction, the excess will be deemed to be a capital gain of such Resident Holder from a disposition of such Common Shares, and the ACB of the Common Shares will be restored to nil. The taxation of capital gains and capital losses is described below under the heading "*Resident Holders – Taxation of Capital Gains and Capital Losses*".

## ***Exchange of Common Shares for New High Arctic Common Shares and SpinCo Common Shares***

A Resident Holder who exchanges Common Shares for New High Arctic Common Shares and SpinCo Common Shares pursuant to the Arrangement (the "**Share Exchange**") will be deemed to have received a taxable dividend equal to the amount, if any, by which the fair market value of the SpinCo Common Shares distributed to the Resident Holder pursuant to the Share Exchange at the time of the Share Exchange exceeds the PUC of the Resident

Holder's Common Shares determined at that time. Any such taxable dividend will be taxable as described below under "*Holders Resident in Canada — Taxation of Dividends — New High Arctic Common Shares and SpinCo Common Shares*". However, High Arctic expects that the fair market value of all SpinCo Common Shares distributed pursuant to the Share Exchange under the Arrangement will not exceed the PUC of the Common Shares (after giving effect to the Return of Capital). Accordingly, High Arctic does not expect that any Resident Holder will be deemed to receive a taxable dividend on the Share Exchange.

A Resident Holder who exchanges Common Shares for New High Arctic Common Shares and SpinCo Common Shares on the Share Exchange will realize a capital gain equal to the amount, if any, by which the fair market value of those SpinCo Common Shares at the effective time of the Share Exchange, less the amount of any taxable dividend deemed to be received by the Resident Holder as described in the preceding paragraph, exceeds the ACB of the Resident Holder's Common Shares determined immediately before the Share Exchange. Any capital gain so realized will be taxable as described below under "*Holders Resident in Canada — Taxation of Capital Gains and Capital Losses*".

A Resident Holder will acquire the SpinCo Common Shares received on the Share Exchange at a cost equal to their fair market value as at the effective time of the Share Exchange, and the New High Arctic Common Shares received on the Share Exchange at a cost equal to the amount, if any, by which the ACB of the Resident Holder's Common Shares immediately before the Share Exchange exceeds the fair market value of the SpinCo Common Shares as at the effective time of the Share Exchange.

#### *Disposition of New High Arctic Common Shares or SpinCo Common Shares after the Arrangement*

A Resident Holder who disposes or is deemed to dispose of a New High Arctic Common Share or SpinCo Common Share generally will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition therefor are greater (or less) than the ACB of the share to the Resident Holder, less reasonable costs of disposition. Any such capital gain or capital loss will be subject to the treatment generally described below under "*Holders Resident in Canada — Taxation of Capital Gains and Capital Losses*".

#### *Taxation of Dividends - New High Arctic Common Shares and SpinCo Common Shares*

A Resident Holder who is an individual (other than certain trusts) and receives or is deemed to receive a taxable dividend in a taxation year on the Resident Holder's New High Arctic Common Shares or SpinCo Common Shares will be required to include the amount of the dividend in income for the year, subject to the dividend gross-up and tax credit rules applicable to taxable dividends received by a Canadian resident individual from a taxable Canadian corporation, including the enhanced dividend gross-up and tax credit that may be applicable if and to the extent that High Arctic or SpinCo designates the taxable dividend to be an "eligible dividend" in accordance with the Tax Act. There may be limitations on the ability of either corporation to designate dividends as "eligible dividends" and neither High Arctic nor SpinCo has made commitments in this regard.

A Resident Holder that is a corporation and receives or is deemed to receive a taxable dividend in a taxation year on its New High Arctic Common Shares or SpinCo Common Shares must include the amount in its income for the year, but generally will be entitled to deduct an equivalent amount from its taxable income, subject to all restrictions under the Tax Act. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of disposition or capital gain. Resident Holders that are corporations are urged to consult their own tax advisers having regard to their particular circumstances. A Resident Holder that is a "private corporation" or a "subject corporation" (as defined in the Tax Act) may also be liable under Part IV of the Tax Act to pay a special tax (refundable in certain circumstances) on any such dividends to the extent that the dividend is deductible in computing the corporation's taxable income.

#### *Taxation of Capital Gains and Capital Losses*

A Resident Holder who realizes a capital gain or capital loss in a taxation year on the actual or deemed disposition of a share, including a Common Share, New High Arctic Common Share or SpinCo Common Share, generally will be required to include one-half of any such capital gain (a "**taxable capital gain**") in income for the year, and entitled to deduct one-half of any such capital loss (an "**allowable capital loss**") against taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years or any subsequent taxation year against net taxable

capital gains realized in such years (but not against other sources of income), to the extent and in the circumstances specified in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on the share (or on a share substituted therefor) to the extent and in the circumstances described in the Tax Act. Similar rules may apply where High Arctic is a member or beneficiary of a partnership or trust that held the share, or where a partnership or trust of which High Arctic is a member or beneficiary is itself a member of a partnership or a beneficiary of a trust that held the share. Affected Resident Holders should consult their own tax advisors in this regard.

A Resident Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) or a "substantive CCPC" (as proposed to be defined in the Tax Act pursuant to Proposed Amendments) throughout the relevant taxation year may be liable to pay an additional tax (refundable in certain circumstances) on its "aggregate investment income", which includes taxable capital gains, for the year.

For capital gains realized on or after June 25, 2024, Proposed Amendments in the Federal Budget released on April 16, 2024 (the "2024 Budget Proposals") would generally increase the capital gains inclusion rate from one-half to two-thirds for corporations and trusts, and from one-half to two-thirds for individuals on the portion of capital gains realized, including capital gains realized indirectly through a trust or partnership, in a taxation year (or in each case the portion of the year beginning on June 25, 2024 in the case of the 2024 taxation year) that exceed \$250,000. Under the 2024 Budget Proposals, two-thirds of capital losses realized prior to 2024 will be deductible against capital gains included in income at the two-thirds inclusion rate such that a capital loss will offset an equivalent capital gain regardless of the inclusion rate. The 2024 Budget Proposals do not include comprehensive rules (including draft legislation) implementing these changes and state that additional details related to the change of the capital gains inclusion rate are forthcoming. Holders who may be subject to the increased inclusion rate for capital gains as a result of the 2024 Budget Proposals should consult their own tax advisors.

#### *Minimum Tax on Individuals*

A Resident Holder who is an individual (including certain trusts) and receives a taxable dividend on, or realizes a capital gain on the disposition of, a share, including a Common Share, New High Arctic Common Share or SpinCo Common Share, may thereby be liable for minimum tax to the extent and within the circumstances set out in the Tax Act.

#### *Dissenting Resident Holders*

A Resident Holder who validly exercises Dissent Rights (a "**Dissenting Resident Holder**") and who consequently transfers or is deemed to transfer Common Shares to High Arctic for payment by High Arctic will be deemed to receive a taxable dividend in the taxation year of payment equal to the amount, if any, by which the payment (excluding interest) exceeds the PUC of the Dissenting Resident Holder's Common Shares determined immediately before the Arrangement. Any such taxable dividend will be taxable as described above under "*Holders Resident in Canada — Taxation of Dividends — New High Arctic Common Shares and SpinCo Common Shares*". The Dissenting Resident Holder will also realize a capital gain (or capital loss) equal to the amount, if any, by which the payment (excluding interest), less any such deemed taxable dividend, exceeds (is exceeded by) the ACB of the Dissenting Resident Holder's Common Shares determined immediately before the Arrangement. Any such capital gain or loss will generally be taxable or deductible as described above under "*Holders Resident in Canada — Taxation of Capital Gains and Capital Losses*".

The Dissenting Resident Holder will be required to include any portion of the payment that is on account of interest in income in the year received.

#### *Eligibility for Investment*

A New High Arctic Common Share will be a "qualified investment" for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a tax-free savings account, first home savings account (collectively, "**Registered Plans**") or a deferred profit sharing plan as those terms are defined in the Tax Act at any time at which the New High Arctic Common

Shares are listed on a "designated stock exchange" as defined in the Tax Act (which includes the TSX or TSXV), or High Arctic is otherwise a "public corporation" as defined in the Tax Act.

The SpinCo Common Shares are not currently listed on a designated stock exchange and SpinCo is not currently a "public corporation", as that term is defined in the Tax Act. SpinCo has applied to list the SpinCo Common Shares on the TSXV after the close of trading on the day before the Effective Date. SpinCo must rely on the TSXV to list the SpinCo Common Shares on the TSXV and have them posted for trading prior to the issuance of the SpinCo Common Shares on the Effective Date and to otherwise proceed in such manner as may be required to result in the SpinCo Common Shares being listed on the TSXV at the time of their issuance on Closing. If the Common Shares are not listed on the TSXV on the Effective Date but become listed on the TSXV prior to the date on which SpinCo must file a tax return under the Tax Act for its first taxation year, SpinCo may make an election in such income tax return to be deemed to have been a "public corporation" for purposes of the Tax Act from the beginning of its first taxation year. If this occurs, the SpinCo Common Shares will be qualified investments for Registered Plans and deferred profit sharing plans at the Effective Date notwithstanding that the SpinCo Common Shares were not listed on the TSXV on the Effective Date.

Notwithstanding that the New High Arctic Common Shares and/or SpinCo Common Shares may be qualified investments at a particular time, the holder, annuitant or subscriber of a Registered Plan, as applicable, will be subject to a penalty tax in respect of a New High Arctic Common Share or a SpinCo Common Share held in the Registered Plan, if the share is a "prohibited investment" under the Tax Act. A New High Arctic Common Share or SpinCo Common Share generally will not be a prohibited investment for a Registered Plan of a holder, annuitant or subscriber thereof, as applicable, provided that (i) the holder, annuitant or subscriber of the account does not have a "significant interest" within the meaning of the Tax Act in High Arctic or SpinCo, as applicable, and (ii) the holder, annuitant or subscriber deals at arm's length with High Arctic or SpinCo, as applicable, for the purposes of the Tax Act. **Shareholders should consult their own tax advisers to ensure that the New High Arctic Common Shares and SpinCo Common Shares would not be a prohibited investment for a trust governed by a Registered Plan in their particular circumstances.**

#### ***Holders Not Resident In Canada***

This portion of this summary applies only to Holders each of whom at all material times for the purposes of the Tax Act (i) has not been and is not resident or deemed to be resident in Canada for purposes of the Tax Act, and (ii) does not and will not use or hold Common Shares, New High Arctic Common Shares, or SpinCo Common Shares in connection with carrying on a business in Canada (each, a "**Non-Resident Holder**").

Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere, or an "authorized foreign bank" as defined in the Tax Act. Such Non-Resident Holders should consult their own tax advisers with respect to the Arrangement.

#### ***Return of Capital***

The amount of the Return of Capital will be paid to Non-Resident Holders by High Arctic as a single distribution on a reduction of the stated capital of the Common Shares by High Arctic, which will reduce the PUC of the Common Shares, for purposes of the Tax Act, by an equivalent amount. The amount of the Return of Capital paid to a Non-Resident Holder should not be considered to be a dividend and such distribution should not be subject to Part XIII withholding tax under the Tax Act.

However, the amount received by a Non-Resident Holder on the Return of Capital must be deducted in computing the ACB to a Non-Resident Holder of such Non-Resident Holder's Common Shares. If the amount required to be deducted from the ACB of Common Shares to a particular Non-Resident Holder exceeds the ACB of such Common Shares to such Non-Resident Holder immediately before such deduction, the excess will be deemed to be a capital gain of such Non-Resident Holder from a disposition of such Common Shares, and the ACB of the Common Shares

will be restored to nil. See "*Holders Not Resident in Canada — Taxation of Capital Gains and Capital Losses*" below.

#### *Exchange of Common Shares for New High Arctic Common Shares and SpinCo Common Shares*

The discussion of the tax consequences of the Share Exchange for Resident Holders under the heading "*Holders Resident in Canada — Exchange of Common Shares for New High Arctic Common Shares and SpinCo Common Shares*" generally will also apply to Non-Resident Holders in respect of the Share Exchange. The general taxation rules applicable to Non-Resident Holders in respect of a deemed taxable dividend or capital gain arising on the Share Exchange are discussed below under the headings "*Holders Not Resident in Canada — Taxation of Dividends — New High Arctic Common Shares and SpinCo Common Shares*" and "*Holders Not Resident in Canada — Taxation of Capital Gains and Capital Losses*" respectively.

#### *Taxation of Dividends - New High Arctic Common Shares and Common Shares*

A Non-Resident Holder to whom High Arctic or SpinCo pays or credits (or is deemed to pay or credit) an amount as a dividend in respect of the Non-Resident Holder's New High Arctic Common Shares or SpinCo Common Shares, will be subject to Canadian withholding tax equal to 25% (or such lower rate as may be available under an applicable income tax convention, if any) of the gross amount of the dividend. In general, in the case of a Non-Resident Holder who is a resident of the United States for the purposes of the Canada-US Tax Act Convention (1980), as amended (the "**Treaty**"), who is the beneficial owner of the dividend, and who qualifies for full benefits of the Treaty, the rate of such withholding tax will be reduced to 15%.

#### *Taxation of Capital Gains and Capital Losses*

A Non-Resident Holder will not be subject to Canadian federal income tax in respect of any capital gain arising on an actual or deemed disposition of a Common Share, New High Arctic Common Share or SpinCo Common Share unless, at the time of disposition, the share is "taxable Canadian property" as defined in the Tax Act, and is not "treaty-protected property" as so defined.

Generally, a Common Share, New High Arctic Common Share or SpinCo Common Share, as applicable, of the Non-Resident Holder will not be taxable Canadian property of the Non-Resident Holder at any time at which the share is listed on a "designated stock exchange" as defined in the Tax Act (which includes the TSX and TSXV) unless, at any time during the 60 months immediately preceding the disposition of the share:

- (a) the Non-Resident Holder, one or more persons with whom the Non-Resident Holder did not deal at arm's length, partnerships in which the Non-Resident Holder or persons with whom the Non-Resident Holder did not deal at arm's length held membership interests (directly or indirectly), or any combination of the foregoing, owned 25% or more of the issued shares of any class of the capital stock of High Arctic or SpinCo, as applicable; and
- (b) the share derived more than 50% of its fair market value directly or indirectly from, or from any combination of, real property situated in Canada, "Canadian resource properties", "timber resource properties" (as those terms are defined in the Tax Act), and interest, rights or options in or in respect of any of the foregoing.

Further, a SpinCo Common Share of a Non-Resident Holder will not be taxable Canadian property of the Non-Resident Holder at any time at which the share is **not** listed on a "designated stock exchange" unless, at any time during the 60 months immediately preceding the disposition of the share, the share derived more than 50% of its fair market value directly or indirectly from, or from any combination of, real property situated in Canada, "Canadian resource properties", "timber resource properties" (as those terms are defined in the Tax Act), and interest, rights or options in or in respect of any of the foregoing.

Shares may also be deemed to be "taxable Canadian property" under other provisions of the Tax Act.

A Non-Resident Holder who disposes or is deemed to dispose of a Common Share, New High Arctic Common Share or SpinCo Common Share that, at the time of disposition, is taxable Canadian property and is not treaty-protected property will generally be subject to the income tax consequences discussed above under the heading "*Holders Resident in Canada — Taxation of Capital Gains and Capital Losses*".

**Non-Resident Holders who may hold shares as "taxable Canadian property" should consult their own tax advisors in this regard, including with respect to the potential Canadian income tax filing requirements of owning and disposing of such shares.**

#### *Dissenting Non-Resident Holders*

The discussion above applicable to Resident Holders under the heading "*Holders Resident in Canada —Dissenting Resident Holders*" will generally also apply to a Non-Resident Holder who validly exercises Dissent Rights in respect of the Arrangement. In general terms, the Non-Resident Holder will be subject to Canadian federal income tax in respect of any deemed taxable dividend arising as a consequence of the exercise of Dissent Rights generally as discussed above under the heading "*Holders Not Resident in Canada — Taxation of Dividends —New High Arctic Common Shares and SpinCo Common Shares*" and subject to the Canadian federal income tax treatment in respect of any capital gain or loss arising as a consequence of the exercise of Dissent Rights generally as discussed above under the heading "*Holders Not Resident in Canada — Taxation of Capital Gains and Capital Losses*".

### **CERTAIN LEGAL AND REGULATORY MATTERS**

#### **Canadian Securities Laws**

##### ***Application of MI 61-101***

High Arctic is subject to the provisions of MI 61-101 in respect of certain transactions described in this Circular, which is intended to regulate certain transactions to ensure equal treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders (excluding interested or related parties), independent valuations and, in certain circumstances, approval and oversight of the transaction by a special committee of independent directors. The protections afforded by MI 61-101 apply to, among other transactions, "business combinations" (as such term is defined in MI 61-101). MI 61-101 provides that, in certain circumstances, where a "related party" of an issuer (as defined in MI 61-101), which includes directors, and senior officers of High Arctic would, as a consequence of the transaction, be entitled to receive a "collateral benefit" (as defined in MI 61-101) in connection with, among other things, an arrangement (such as the Arrangement), such transaction may be considered a "business combination" for the purposes of MI 61-101.

Although holders of High Arctic Common Shares will retain their proportionate interest in equity securities of the Corporation following the completion of the Arrangement, their High Arctic Common Shares will be replaced with SpinCo Common Shares and New High Arctic Common Shares as a result of the Arrangement. On that basis, the Corporation will treat the Arrangement as a "business combination" in accordance with MI 61-101.

The High Arctic Board has approved the accelerated vesting of all outstanding High Arctic PSUs and High Arctic RSUs, conditional upon the approval of the Arrangement. The acceleration of the vesting of the High Arctic PSUs and RSUs, and the accelerated redemption of the outstanding High Arctic DSUs pursuant to the Compensation Plan Resolution may be a "collateral benefit" (as defined in MI 61-101).

However, except with respect to Michael Binnion (for the reasons set forth below), such benefits resulting from the accelerated redemption of the High Arctic DSUs and the vesting and redemption of the High Arctic PSUs and High Arctic RSUs fall within an exception to the definition of "collateral benefit" for the purposes of MI 61-101, since the benefits are received solely in connection with the related party's services as an employee, director or consultant under certain circumstances, including where the related party and his or her associated entities beneficially owns or exercises control or direction, directly or indirectly, over less than 1% of the outstanding securities of each class of equity securities at the time the transaction was agreed to or publicly announced and: (a) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (b) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; and (c) full particulars of the benefit are disclosed in the disclosure document for the transaction. Accordingly, with the exception of Mr. Binnion, no related party will be considered to have received a "collateral benefit" in respect of the Arrangement, for the purposes of MI 61-101.

As of the date of the Arrangement Agreement, Mr. Binnion owned or exercised control or direction over 2,487,363 securities (1,916,867 High Arctic Common Shares, and 570,496 High Arctic DSUs), representing approximately 4.9% of the outstanding High Arctic Common Shares, on a fully diluted basis<sup>1</sup>.

As Mr. Binnion held greater than 1% of the outstanding High Arctic Common Shares as of the date of the Arrangement Agreement, if the Arrangement constitutes a business combination, the redemption of DSUs could constitute a collateral benefit. Accordingly, in addition to obtaining approval of the Arrangement Resolution by at least 66 $\frac{2}{3}$ % of the votes cast on the Arrangement Resolution at the Meeting by Shareholders, present, whether in person or virtually, or represented by proxy, and entitled to vote at the Meeting, approval will also be sought from a simple majority of the votes cast at the Meeting by the Shareholders present in person or represented by proxy at the Meeting, excluding the votes attached to the High Arctic common Shares held by Mr. Binnion and any other "interested parties", "related parties of interested parties" or "joint actors" whose votes may not be included in determining minority approval of a "business combination" under MI 61-101 ("**Minority Shareholders**").

Pursuant to MI 61-101 the Arrangement is not a "business combination" for which a formal valuation would be required.

In the Corporation's view, the accelerated redemption of the outstanding High Arctic DSUs and the vesting of the High Arctic PSUs and High Arctic RSUs, are not "related party transactions" to which the formal valuation or minority approval requirements of MI 61-101 would apply. However, even if such transactions were related party transactions to which the formal valuation requirements or minority approval requirements did apply, exemptions from such requirements are available under the provisions of MI 61-101, based on the facts that, in respect of the formal valuation requirements, the fair market value of the transaction, insofar as it involves interested parties, is not more than 25% of the Corporation's market capitalization, and, in respect of the minority approval requirements, at the time the accelerated redemption of the outstanding High Arctic DSUs and the vesting of the High Arctic PSUs and High Arctic RSUs was agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, such transactions, insofar as it involves interested parties, exceeded 25% of High Arctic's market capitalization.

In the Corporation's view, the Return of Capital is not a "related party transaction", because no related party receives a benefit in respect of the Return of Capital that is different from the benefit received by any other Shareholder. However, to the extent that the Return of Capital is a "related party transaction" for the purposes of MI 61-101, the same exemptions from the formal valuation and minority approval requirements of MI 61-101 apply as mentioned in the previous paragraph.

MI 61-101 also requires High Arctic to disclose any "prior valuations" (as defined in MI 61-101) of High Arctic or its material assets or securities, or any bona fide prior offer that relates to the subject matter of or is otherwise relevant to the Return of Capital or the Arrangement, in each case made within the 24-month period preceding the date of this Circular. After reasonable inquiry, neither High Arctic nor any director nor any senior officer of High Arctic has knowledge of any such "prior valuation" or bona fide prior offer.

See, "*Particulars of Matters to be Acted Upon - Compensation Plan Resolution*".

### ***Distribution of New High Arctic Common Shares and SpinCo Common Shares***

The following discussion is only a general overview of the requirements of Canadian securities laws for the resale of the New High Arctic Common Shares and SpinCo Common Shares. Holders of New High Arctic Common Shares or SpinCo Common Shares should seek legal advice prior to any resale of such securities to ensure the resale is made in compliance with the requirements of applicable securities legislation.

The issuance pursuant to the Arrangement of the New High Arctic Common Shares and the SpinCo Common Shares, as well as all other issuances, trades and exchanges of securities under the Arrangement, will be made pursuant to exemptions from the prospectus requirements contained in applicable Canadian provincial securities legislation or, where required, exemption orders or rulings from various securities regulatory authorities in the provinces and territories of Canada where Shareholders are resident. High Arctic is currently a "reporting issuer" under the applicable securities legislation in Alberta, British Columbia, Saskatchewan, Manitoba, and Ontario.

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<sup>1</sup> Based on 50,412,916 High Arctic Common Shares, on a fully-diluted basis.

Under National Instrument 45-102 - *Resale of Securities* (and if required, orders and rulings from various securities regulatory authorities in the provinces and territories of Canada where Shareholders are resident), the New High Arctic Common Shares and SpinCo Common Shares received by Shareholders pursuant to the Arrangement may be resold through registered dealers in Canadian provinces or territories without any "hold period" restrictions (provided that no unusual effort is made to prepare the market or create a demand for these securities, no extraordinary commission or consideration is paid in respect of the sale and, if the seller is an insider or officer of the issuer, the seller has no reasonable grounds to believe that the issuer is in default of securities legislation). Resales of New High Arctic Common Shares and SpinCo Common Shares will, however, be subject to resale restrictions where the sale is made from the holdings of any person or combination of persons holding a sufficient number of New High Arctic Common Shares or SpinCo Common Shares, as the case may be, to affect materially the control of the Corporation or SpinCo, respectively.

### **United States Federal Securities Laws**

The New High Arctic Common Shares and the SpinCo Common Shares issuable to Shareholders resident in the United States in exchange for their securities pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States. Such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof and the exemptions under applicable U.S. state securities laws.

Section 3(a)(10) of the U.S. Securities Act exempts from registration a security which is issued in exchange for bona fide outstanding securities where the terms and conditions of such issuance and exchange are approved by any court or by a governmental authority expressly authorized by law to grant such approval, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear. The fairness hearing must be open to everyone to whom securities would be issued in the proposed exchange, and timely and adequate notice of the hearing must be given to these persons. There cannot be any improper impediments to the appearance by these persons at the hearing. The court or governmental authority must (1) be advised before the hearing that the issuer will rely on the Section 3(a)(10) exemption based on the court's or governmental authority's approval of the transaction, (2) hold a hearing before approving the fairness of the terms and conditions of the transaction, (3) find, before approving the transaction, that the terms and conditions of the exchange are fair (procedurally and substantively) to those to whom securities will be issued, and (4) approve the fairness of the terms and conditions of the exchange.

Accordingly, the Final Order will, if granted, constitute the basis for the exemption from the registration requirements of the U.S. Securities Act with respect to the New High Arctic Common Shares and the SpinCo Common Shares issued pursuant to the Arrangement.

The New High Arctic Common Shares and SpinCo Common Shares issuable pursuant to the Arrangement will be freely transferable under U.S. federal securities laws, except by persons who are "affiliates" of the Corporation or HAI, as applicable, after the Effective Time or were affiliates of the Corporation or SpinCo, as applicable, within 90 days prior to the Effective Time. Persons who may be deemed to be "affiliates" of an issuer generally include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of such New High Arctic Common Shares or SpinCo Common Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such New High Arctic Common Shares or SpinCo Common Shares outside the United States without registration under the U.S. Securities Act pursuant to Regulation S under the U.S. Securities Act. If available, such affiliates (and former affiliates) may also resell such New High Arctic Common Shares or SpinCo Common Shares pursuant to Rule 144 under the U.S. Securities Act. In general, Rule 144 requires an affiliate of a non-U.S. reporting company to have held the subject securities for at least 12 months, after which time the securities may be resold only if there is current public information about the issuer, compliance with volume limitations and manner of sale requirements, and filing of a Form 144. If, however, the Corporation, SpinCo or any predecessor is deemed to have been at any time previously an issuer with no or nominal operations and no or nominal assets other than cash and cash equivalents (including, being deemed a "shell company" defined in Rule 144(i) under the U.S. Securities Act), Rule 144 under the U.S. Securities Act may not be available for resales of restricted securities, and the Corporation



would not be obligated to provide Rule 144 information under the U.S. Securities Act for resales of such securities and, as a result, Rule 144 would not be available for the public resale of such securities.

**The foregoing discussion is only a general overview of the requirements under the U.S. Securities Act for the resale of the New High Arctic Common Shares and SpinCo Common Shares. Holders of New High Arctic Common Shares and SpinCo Common Shares are urged to seek legal advice prior to any resale of such securities to ensure that the resale is made in compliance with the requirements of applicable securities legislation. Certain re-sales of securities acquired pursuant to the Arrangement may be required to be made through properly registered securities brokers or dealers.**

### **Stock Exchange Listings**

It is expected that the New High Arctic Common Shares will either continue to be listed on the TSX or will be listed on the TSXV. Assuming that the Arrangement is completed on July 31, 2024, trading of the New High Arctic Common Shares is expected to commence within four Business Days thereafter.

An application has been made to have the SpinCo Common Shares listed on the TSXV. Listing will be subject to, amongst other things, SpinCo meeting the original listing requirements of the TSXV, and meeting all conditions of continued listing imposed by the TSXV. If SpinCo meets the original listing requirements of the TSXV and assuming that the Arrangement is completed on July 31, 2024, trading of the SpinCo Common Shares is expected to commence within four Business Days thereafter.

## **RISK FACTORS TO THE ARRANGEMENT**

In evaluating the Arrangement, you should carefully consider, in addition to the other information contained in this Circular, the risks and uncertainties described below before deciding to vote in favour of the Arrangement. In addition to the risk factors relating to the Arrangement, Shareholders should also carefully consider the risk factors relating to the Corporation's business and SpinCo's business following the Arrangement as described under "*Risk Factors*" in Appendix "D" - "*Information Concerning High Arctic Post-Arrangement*" and Appendix "E" - "*Information Concerning SpinCo Post-Arrangement*", respectively, which risk factors should be considered in conjunction with the other information included in this Circular. While this Circular has described the risks and uncertainties that management of the Corporation believes to be material to the Corporation's and SpinCo's business, and therefore the value of their common shares, it is possible that other risks and uncertainties affecting the Corporation's and/or SpinCo's business will arise or become material in the future.

### **Risks of Not Proceeding with the Arrangement**

#### ***Impact on Share Price and Future Business Operations***

If the Arrangement is not completed, there may be a negative impact on our share price, future business and operations to the extent that the current trading price of High Arctic Common Shares reflects an assumption that the Arrangement will be completed. The price of High Arctic Common Shares may decline if the Arrangement is not completed.

#### ***Existing Operational Risk***

If the Arrangement is not completed, we will continue to face all of the existing operational and financial risks of our business as described under "*Risk Factors*" in Appendix "D" - "*Information Concerning High Arctic Post-Arrangement*". And Appendix "E" - "*Information Concerning SpinCo Post-Arrangement*".

#### ***Costs of the Arrangement***

There are various costs related to the Arrangement, such as legal, accounting and certain fees incurred, that must be paid even if the Arrangement is not completed. There are also opportunity costs associated with the diversion of management attention away from the conduct of our business in the ordinary course.

## **Risks of Proceeding with the Arrangement**

### ***Fluctuation in Market Value of the SpinCo Common Shares***

There is currently no market for the SpinCo Common Shares and there can be no assurance that an active market will develop or be sustained after the Effective Date. The lack of an active public market could have a material adverse effect on the price of the SpinCo Common Shares.

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the company, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the future market price of the SpinCo Common Shares on any stock exchange cannot be predicted.

### ***Trading Prices***

The trading price of the New High Arctic Common Shares is expected to be lower following the Arrangement than the trading price of the High Arctic Common Shares prior thereto, reflecting both the Return of Capital payments and the disposition of the PNG Business to SpinCo and such price may fluctuate significantly for a period of time following the Arrangement. The combined trading prices of the New High Arctic Common Shares and the SpinCo Common Shares received pursuant to the Arrangement may be less than, equal to or greater than the trading price of the High Arctic Common Shares prior to the Arrangement.

### ***Pre-Arrangement Consents and Approvals***

High Arctic continues to seek and obtain certain necessary consents and approvals in order to implement the Arrangement and related transactions as currently structured. High Arctic believes that it will obtain such consents and approvals prior to the Effective Date. However, if certain approvals and consents are not received prior to the Effective Date, the Corporation may decide to proceed nonetheless, or it may either delay or amend the implementation of all or part of the Arrangement, including possibly delaying the completion of the Arrangement in order to allow sufficient time to receive such consents.

Completion of the Arrangement is conditional upon receiving certain regulatory approvals including the approval of the TSX or the TSXV. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in the regulatory approvals could adversely affect the business, financial condition or results of operations of the Corporation.

### ***Risks related to the Liquidity of the SpinCo Common Shares***

There can be no assurance that an active and liquid market for the SpinCo Common Shares will develop and an investor may find it difficult to resell its SpinCo Common Shares.

### ***Post-Reorganization, the Corporation May Not Continue to Meet TSX Listing Requirements***

There can be no assurance that High Arctic will be able to comply with TSX continued listing requirements and that the High Arctic Common Shares will remain listed on the TSX after completion of the reorganization. If the High Arctic Common Shares ultimately were to be delisted from TSX for any reason, it could negatively impact investors as it may: reduce the liquidity and market price of the High Arctic Common Shares; reduce the number of investors willing to hold or acquire the High Arctic Common Shares; negatively impact High Arctic's ability to access equity markets, issue additional securities and obtain additional financing in the future; affect High Arctic's ability to provide equity incentives to our employees; and negatively impact our reputation and, as a consequence, our business.

### ***The Arrangement Agreement may be terminated in certain circumstances***

High Arctic has the right to terminate the Arrangement Agreement in certain circumstances. Accordingly, there is no certainty, nor can High Arctic provide any assurance, that the Arrangement Agreement will not be terminated by High Arctic before the completion of the Arrangement.

## INFORMATION CONCERNING HIGH ARCTIC POST-ARRANGEMENT

For further information concerning High Arctic post-Arrangement, see Appendix “D” attached to this Circular.

## INFORMATION CONCERNING SPINCO POST-ARRANGEMENT

For further information concerning SpinCo post-Arrangement, see Appendix “E” attached to this Circular, as well as the balance sheet of SpinCo contained in Appendix “F”, the financial statements and MD&A of HAES Cyprus contained in Appendix “G” and the unaudited pro forma financial statements of SpinCo contained in Appendix “H” to this Circular.

## STATEMENT OF EXECUTIVE COMPENSATION FOR HIGH ARCTIC

### Compensation Discussion and Analysis

#### *I. Overview of Compensation Program, Compensation Philosophy and Objectives*

The Corporation has designed an executive compensation program to attract, motivate, reward, and retain the knowledgeable and skilled executives that are required to achieve the Corporation’s objectives and increase shareholder value. The compensation program is geared towards fostering a culture of ownership by providing long-term equity-based incentives as a portion of executive compensation. This approach assumes that the Corporation’s share price performance over the long-term is an important indicator of long-term performance, aligning executive compensation with the generation of shareholder value.

The Corporation’s executive compensation program is based on the following fundamental principles:

- the compensation program should result in the alignment of executive goals with shareholder interests, maximizing long-term shareholder value;
- compensation to executive officers should be performance sensitive, directly linking some elements of compensation to the Corporation’s operating and market performance, both quantitatively and qualitatively; and
- total executive compensation should be in an amount that is competitive with other companies in the oilfield services industry and geographical area, consistent with the experience and responsibility level of the individual.

The main objectives of the Corporation’s executive compensation program were developed based on the above-mentioned principles, with a goal to reward the contribution of executive officers based on evaluation of performance against key measurements selected by the Board and Remuneration Committee that correlate with shareholder value and align with the Corporation’s strategic plan.

The compensation program of the Corporation provides incentives to achieve both short and long-term objectives.

The short-term incentives include salary and annual bonus payments to Named Executive Officers (as defined herein) (“NEOs”) based on the financial performance of the Corporation and achievement of certain individual performance targets.

The Corporation provides long-term incentives to its executives and directors through grants of options under the Corporation’s Stock Option Plan (“**High Arctic Stock Option Plan**”) and share units under the Corporation’s Performance Share Unit Plan (the “**High Arctic PSU Plan**”) and the Deferred Share Unit Plan (the “**High Arctic DSU Plan**”). The long-term incentive plans link the interests of the executive officers and directors to shareholders of the Corporation as increasing the value of the Corporation will increase the amounts received by the individual NEO.

## **II. Role and Composition of the Remuneration Committee**

The Corporation's executive compensation program is administered by the Remuneration Committee (the "**Remuneration Committee**") of the Board. The Remuneration Committee is charged with reviewing and making recommendations to the Board in respect of the compensation matters relating to the Corporation's executive officers, employees, and directors, including the NEOs who are identified in the "Summary Compensation Table", below.

The members of the Remuneration Committee are appointed by the Board. For the year ended December 31, 2023 and the date hereof, the Remuneration Committee was comprised of: Michael Binnion (Chair), the Honourable Joe Oliver, and Simon Batcup.

Although none of the members of the Remuneration Committee have a formal background or experience in executive compensation directly, all of the members of the Remuneration Committee are experienced participants in the business world and are well versed in the areas of corporate governance and compensation matters.

Mr. Oliver has extensive experience in the public sector, acting as a Member of Parliament and Minister, as well as experience with private entities in the roles of President and CEO and as a Director of public companies. Mr. Oliver has considerable experience dealing with compensation programs and matters generally. Mr. Binnion is a seasoned entrepreneur with a history of starting, financing and managing companies and not-for-profits and has considerable experience with establishing and overseeing compensation programs. Mr. Batcup has over 40 years of business experience and is a key interim management executive who has been involved in company restructures and turn-arounds including dealing with executive and other employee compensation. These skills and experiences enable the Remuneration Committee to make decisions on the suitability of the Corporation's compensation policies and practices.

The Remuneration Committee operates under a written "Remuneration Committee Terms of Reference" that details its composition, its duties and its reporting responsibilities. The Remuneration Committee's primary duties and responsibilities are to:

- (1) Determine and agree with the Board framework or broad policy for the remuneration of the Corporation's Chief Executive Officer, Chair of the Board, Lead Director (if applicable), and such other members of the executive management as it is designated to consider (the "**Remuneration Policy**"). The Remuneration Committee shall also be responsible for making recommendations to the Board in regard to the remuneration of non-executive directors. No director or officer shall be involved in any decisions as to their own remuneration;
- (2) In determining the Remuneration Policy, take into account all factors which it deems necessary. The objective of the Remuneration Policy shall be to ensure that members of the executive management of the Corporation are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Corporation;
- (3) Review the ongoing appropriateness and relevance of the Remuneration Policy;
- (4) Approve the design of, and determine targets for, any performance-related pay arrangements operated by the Corporation and approve the total annual payments made under such arrangements;
- (5) Review the design of all securities-based compensation arrangements for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to directors, officers and other senior executives, the performance targets to be used and the form of agreement in respect of the grant of any securities-based compensation;
- (6) Coordinate closely with the Governance and Nominating Committee in relation to the remuneration to be offered to any new director;

- (7) Review and recommend for approval, if the proposed remuneration is within the parameters of the Remuneration Policy, any written employment agreement of a member of the executive management;
- (8) Determine the policy for, and scope of, pension arrangements for each director, officer and other senior executives;
- (9) Review and recommend for approval any termination and severance arrangements in respect of officers of the Corporation;
- (10) Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Corporation, that failure is not rewarded and that the duty to mitigate loss is fully recognized;
- (11) Within the terms of the Remuneration Policy and in consultation with the Chair and/or Chief Executive Officer as appropriate, determine the total individual remuneration package of each director, officer and other senior executives including bonuses, incentive payments and share option or other share awards that comply with the legal requirements, the provisions and recommendations in National Policy 58-201 adopted by the Canadian Securities Administrators, the rules of the Toronto Stock Exchange and associated guidance;
- (12) Review and note annually the remuneration trends across the Corporation or group;
- (13) Oversee any major changes in employee benefits structures throughout the Corporation or group;
- (14) Review and recommend for approval the general terms of any annual bonus plans of for non-executive managers;
- (15) Determine the policy for authorizing claims for expenses from the Chief Executive Officer and Chair;
- (16) Ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled;
- (17) Review and recommend for approval disclosure provided in publicly circulated documents, including the Corporation's management information circular, in respect of executive compensation discussion and analysis;
- (18) Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee; and
- (19) Obtain reliable, up-to-date information about remuneration in other comparable companies. The Remuneration Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfill its obligations.

The Remuneration Committee Chair is required to report to the Board on its proceedings after each meeting and to make whatever recommendations it deems appropriate on any area within its mandate where action or improvement is needed. In addition to attendance at formal meetings, individual committee members also periodically reviewed the Corporation's approach to executive compensation with the Chief Executive Officer.

In 2023, with a possible return of capital and corporate re-organization to be considered, the Remuneration Committee recommended to the Board a temporary suspension on NEO compensation increases and the deferral of 2023 share based compensation until after the conclusion of any resulting transaction(s) or the decision to abandon further work on it.

The Remuneration Committee will continue to periodically review the Remuneration Policy, with a goal to ensuring the Corporation's compensation program and offering is effective and competitive and is aligned with the above-noted principles.

At the time of this review, the Corporation selected the following peer group as measured by market capitalization and operational sector:

Akita Drilling Ltd.

McCoy Global Inc.

Stampede Drilling Inc.

Total Energy Services Inc.

Zedcor Inc.

Step Energy Services Ltd.

The Corporation believes the aforementioned peer group list is comprised of companies that have characteristics in common with the Corporation and that would compete for similar executive talent and as such, provides a good basis for assessing the competitiveness of the Corporation's compensation.

### *Compensation Risks*

While the Remuneration Committee does not formally consider the implications of the risks associated with the Corporation's compensation policies and practices, the Remuneration Committee does take into consideration the various components of the Corporation's compensation program when assessing whether the program supports the Corporation's principles and objectives and reviews the Corporation's compensation policies on a regular basis. The Remuneration Committee also considers the implication of the risks associated with the Corporation's compensation program, including: (i) the risk of executive officers taking inappropriate or excessive risks; (ii) the risk of inappropriate focus on achieving short-term goals at the expense of long-term return to shareholders; (iii) the risk of encouraging aggressive accounting practices; and (iv) the risk of excessive focus on financial returns and operational goals at the expense of regulatory, environmental and health and safety considerations.

The nature of the business in which the Corporation operates requires some level of risk-taking in order to achieve desired growth and outcomes in the best interests of the shareholders. While the Corporation recognizes that no compensation program can fully mitigate these risks, the Remuneration Committee and Board believe that many of these risks can be mitigated by: (i) weighting long-term incentives towards share ownership and vesting long-term incentives over a number of years; (ii) avoiding narrowly focused performance goals which may encourage loss of focus on providing long-term shareholder return; (iii) retaining adequate discretion over the application and implementation of the compensation program to insure that the Remuneration Committee and Board retain their business judgment in assessing actual performance; and (iv) discourage executive participation in transactions that are designed to hedge or offset a decrease in market value of securities of the Corporation as discussed below under the heading "Short Selling and Restrictions".

### *Short Selling and Restrictions*

Executive officers and directors are prohibited from knowingly selling, directly or indirectly, any of the Corporation's securities that he or she does not own or has not fully paid for.

Although the NEOs are permitted to purchase financial instruments that are designed to hedge or offset a decrease in market value of equity securities granted as compensation, the Corporation is not aware of any market for such financial instruments or the acquisition of any such financial instruments by a NEO.

## **III. Compensation Plan and Policies**

The Remuneration Committee has adopted a compensation program that covers the following key short-term and long-term elements: (i) a base fixed amount of salary and benefits; (ii) a performance-based cash bonus; and (iii) long-term equity incentive plans.

The Corporation's compensation policies are designed to recognize and reward individual performance as well as to provide a competitive level of compensation to executive officers.

A description of each element and its purpose is described below as at December 31, 2023.

### **Named Executive Officers ("NEOs")**

Individuals who are acting in a capacity similar to a Chief Executive Officer ("**CEO**"), Chief Financial Officer ("**CFO**") and the three most highly compensated executive officers or individuals whose total compensation exceeds \$150,000 per annum are the NEOs. For the year ended December 31, 2023, the NEOs of the Corporation were

Michael J. Maguire (CEO), Lonn Bate (CFO), Lance Mierendorf (former CFO), Stephen Lambert, Chief Operating Officer (COO), and Matthew Twa (VP - Strategy & Business Development (Canada)).<sup>2</sup>

### **Base Salaries**

The purpose of the base salary is to attract and retain NEOs by providing a competitive base compensation amount. The level of base salary for each NEO is determined by the level of responsibility and the importance of the position to the Corporation, within competitive industry ranges. The Remuneration Committee makes annual recommendations to the Board regarding base salaries for each of the NEO.

### **Annual Incentive Bonuses**

Annual incentive bonuses are a short-term variable compensation element designed to reward executives on an annual basis for their assistance in achieving the Corporation's business objectives for that year. Generally, such bonuses are of a discretionary nature based on a plan established at the start of each year. The Corporation's financial objectives are reviewed each year after the Board has considered and approved the annual operating and capital expenditure budgets for that year. The amount of bonus awarded to NEOs is calculated as a percentage of a maximum bonus pool directly tied to the profitability of the Corporation and is awarded only if threshold performance levels are met.

The purpose of the annual incentive bonuses is to pay for performance, align the executive's economic interest with the Corporation's short-term business objectives and to motivate and retain the executives. As with other years, the terms of the incentive plan for all employees and executive for 2023 were established through discussions among management, the Remuneration Committee, and the Board.

#### **Corporate Performance Bonuses**

The purpose of the Corporate Performance Bonus Plan is to provide certain executives and employees with a specified incentive to achieve the financial goals of the Corporation. The eligible participants in the Corporate Performance Plan for 2023 included three NEOs, Mr. Maguire (CEO), Mr. Bate (CFO) and Mr. Lambert (COO).

The pool of funds available in 2023 for the Corporate Performance Bonus Plan is determined based on financial performance of the Corporation, measured by normalized Return on Equity ("**ROE**"). ROE is used to incent the Corporation's management team to provide sufficient returns for shareholders. The ROE measure determines the amount funded into a bonus pool for payout and payout will not occur unless certain budgeted EBITDA targets are achieved.

This methodology ensures that not only are shareholder returns achieved but that the Corporation's annual financial budget targets are achieved.

Individual bonus targets are established based upon the individual's position of responsibility and ability to influence the Corporation's financial or business objectives. Individual target bonus payouts are dependent upon certain financial, safety, corporate and personal targets being achieved. For the CEO, the Board of Directors approves all personal targets. For the other NEOs, personal objectives are approved by the CEO in consultation with the Remuneration Committee. Please refer to the "NEO 2023 Performance" section for further details.

The board awarded Mr. Maguire \$76,088, representing approximately 21% of his salary, and Mr. Lambert \$61,703, representing approximately 21% of his salary.

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<sup>2</sup> Mr. Twa left the Corporation in January 2024.

**PNG Related  
Performance  
Bonuses**

The purpose of the Papua New Guinea (“**PNG**”) Performance Bonus Plan is to incentivize management and employees responsible for contributing to the Corporation’s business operations in Papua New Guinea profitably with strong safety and operational performance.

Consistent with prior years, the PNG Performance Bonus plan is funded through the contribution of a percentage of certain financial earnings for the Corporation’s PNG operations.

**Canadian  
Performance  
Bonuses**

Similar to the Corporate and PNG Performance Bonus Plans, the purpose of the Canadian Performance Bonus Plan is to provide business managers with a specified incentive to achieve the financial, safety and operational goals for the Canadian operations.

Following the 2022 sale of certain assets in the Corporation’s Canadian well servicing and snubbing operations the scope of Canadian operations has been reduced substantially. The Canadian Performance Bonus plan is funded through the contribution of a percentage of certain financial earnings for the Corporation’s remaining Canadian operations and similar to the PNG Performance Bonus Plan, payout will not occur unless certain budgeted targets are achieved and are subject to adjustments for factors such as operational and safety performance of the remaining Canadian business.

**Long-term Equity Incentive Plans**

In addition to recognizing the achievement of the Corporation’s immediate objectives through the Corporation’s Annual Incentive Plans, the Corporation recognizes the need to also incentivize its executives, directors, and certain eligible employees to achieving sustained long-term performance that will lead to growth in shareholder value. The Corporation believes that tying a portion of an executive’s, director’s or employee’s compensation to the growth in the Corporation’s equity value is an effective way to achieving this focus on long-term shareholder value creation.

The Corporation currently has three elements of long-term incentive compensation for executives and directors in its long-term incentive program: (1) the High Arctic Stock Option Plan, (2) the High Arctic PSU Plan, and (3) the High Arctic DSU Plan.

The High Arctic Stock Option Plan, High Arctic PSU Plan and High Arctic DSU Plan (collectively, the “**High Arctic Equity Plans**”) all contain the following limitations on the number of Common Shares subject to the High Arctic Equity Plans: (i) the number of Common Shares issuable to insiders at any time, pursuant to the High Arctic Equity Plans or any other share based compensation arrangements, shall not exceed 10% of the issued and outstanding Common Shares; (ii) the number of Common Shares issued to insiders pursuant to the High Arctic Equity Plans or any other share based compensation arrangements within a 12 month period, shall not exceed 10% of the issued and outstanding Common Shares; and (iii) the aggregate number of Common Shares reserved for issuance to non-employee directors under the High Arctic Equity Plans and all other security based compensation arrangements shall not exceed 1% of the issued and outstanding Common Shares from time to time.

*A. High Arctic Stock Option Plan*

The Corporation adopted the High Arctic Stock Option Plan at the annual general and special meeting of shareholders held on June 28, 2007 with subsequent amendments to the High Arctic Stock Option Plan being approved by the shareholders at the annual general and special meetings held on June 29, 2010, June 1, 2011, May 13, 2014, May 13, 2016, May 10, 2017, May 9, 2019 and May 12, 2022.

As at the date of this Circular, there are no High Arctic Options outstanding under the High Arctic Stock Option Plan.

The High Arctic Stock Option Plan is designed to attract and retain key individuals and to provide an incentive for the directors, officers, key employees and consultants to contribute to the future success and prosperity of the Corporation. Option based awards are designed to align executive and shareholder interests, focus executives on long-term value creation and also to support the retention of key executives. Directors, officers, key employees and



consultants may be issued options to purchase Common Shares as recommended by the Remuneration Committee and authorized by the Board of Directors. NEOs are excluded from the decision-making process regarding option-based compensation awarded to them. Previous grants of equity-based awards are taken into account when considering new grants of High Arctic Options to the NEOs. The material terms of the High Arctic Stock Option Plan are described below.

The exercise price of the High Arctic Options shall be determined by the Board of Directors, subject to applicable exchange and regulatory approval, at the time the High Arctic Options are granted, provided that such exercise price shall not be less than the weighted average trading price of the Common Shares for the five trading days immediately prior to the date of grant.

The High Arctic Stock Option Plan also provides that the High Arctic Options will have a term fixed by the Board of Directors, not to exceed the maximum term permitted by any applicable exchange or other regulatory body and will have the vesting conditions fixed by the Board of Directors, subject to applicable exchange and regulatory approvals. Generally, the options vest over a three-year period.

The Board may permit a holder of High Arctic Options to acquire Common Shares to be surrendered, unexercised, to the Corporation in consideration of the receipt by the High Arctic Options holder of an amount equal to the difference, if any, between the aggregate fair market value of the Common Shares purchasable pursuant to the exercisable portion of such High Arctic Options, on the date of the surrender, (as determined by the Board) and the aggregate exercise price with respect to such Common Shares pursuant to such High Arctic Options.

A High Arctic Option is personal to the holder of the High Arctic Option and is non-assignable. If a holder of High Arctic Options ceases to be a director, officer, employee or consultant of the Corporation or its subsidiaries, for any reason (other than death), such holder may exercise its option to the extent that the optionee was entitled to exercise it at the date of such cessation, provided that such exercise must occur within 90 days after the optionee ceases to be a director, officer, employee or consultant. In the event of the death of a holder, if and to the extent that the optionee was entitled to exercise its High Arctic Options at the date of his or her death, the holder's estate has twelve (12) months in which to exercise the outstanding High Arctic Options. In the event that a High Arctic holder is terminated for "Cause" (as such term is defined in the High Arctic Stock Option Plan), all unvested High Arctic Options and any vested High Arctic Options that have not yet been exercised, shall be cancelled as of the High Arctic Option holder's date of termination. For a further description of the treatment of High Arctic Options in the case of the termination of a holder's employment or certain transactions involving the Corporation, see "*Termination and Change of Control Benefits*".

The High Arctic Stock Option Plan also includes a black-out provision. Pursuant to the policies of the Corporation respecting restrictions on trading, there are a number of periods each year during which directors, officers and certain employees are precluded from trading in the Corporation's securities. These periods are referred to as "black-out periods". A black-out period is designed to prevent a person from trading while in possession of material information that is not yet available to other shareholders. The TSX recognizes these black-out periods might result in an unintended penalty to employees who are prohibited from exercising their High Arctic Options during that period because of their company's internal trading policies. As a result, the TSX provides a framework for extending High Arctic Options that would otherwise expire during a black out period. The High Arctic Stock Option Plan includes a provision that should a High Arctic Options expiration date fall within a black out period or immediately following a black out period, the expiration date will automatically be extended for 10 business days following the end of the black out period.

Pursuant to the High Arctic Stock Option Plan, the Board shall have the power, in the event of: (i) any disposition of all or substantially all of the assets of the Corporation, on the dissolution, merger, amalgamation or consolidation of the Corporation, with or into any other person, or the merger, amalgamation or consolidation of any other person into the Corporation; or (ii) any change of control of the Corporation, to amend any option agreement to permit the exercise of any or all of the remaining High Arctic Options prior to completion of any such transaction.

If the Board shall exercise that power, the High Arctic Options shall be deemed to have been amended to permit the exercise thereof in whole or in part by the optionee at any time or from time-to-time as determined by the Board prior to the completion of such transaction.

The High Arctic Stock Option Plan provides that if the outstanding Common Shares are increased, decreased, changed into or exchanged for a different number or kind of Common Shares or securities of the Corporation through reorganization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board in its discretion in the number or kind of Common Shares or securities optioned and the exercise price per Common Share or security, as regards to previously granted and unexercised High Arctic Options or portions thereof, and as regards to High Arctic Options that may be granted subsequent to any such change in the Corporation's capital.

The High Arctic Stock Option Plan allows the Board to terminate or discontinue the High Arctic Stock Option Plan at any time without the consent of the High Arctic Options holders provided that such termination or discontinuance shall not alter or impair any High Arctic Option previously granted under the High Arctic Stock Option Plan.

In addition, the Board may by resolution amend the High Arctic Stock Option Plan and any High Arctic Options granted under it without further shareholder approval, to the extent that such amendments relate to among other things:

- (i) altering, extending, or accelerating the terms of vesting applicable to any High Arctic Options or group of High Arctic Options;
- (ii) altering the terms and conditions of vesting applicable to any High Arctic Options or groups of High Arctic Options;
- (iii) changing the termination provisions of High Arctic Options, provided that the change does not entail an extension beyond the original expiry date of such High Arctic Options;
- (iv) accelerating the expiry date in respect of a High Arctic Option;
- (v) determining the adjustment provisions pursuant to the High Arctic Stock Option Plan;
- (vi) amending the definitions contained within the High Arctic Stock Option Plan and other amendments of a "housekeeping" nature; and
- (vii) amending or modifying the mechanics of exercise of the High Arctic Options.

However, the Board will not be entitled in the absence of shareholder and TSX approval to: (i) reduce the exercise price of a High Arctic Option held by an insider of the Corporation; (ii) unless otherwise extended under the High Arctic Stock Option Plan, extend the expiry date of a High Arctic Option held by an insider of the Corporation; (iii) increase the maximum number of Common Shares issuable pursuant to the High Arctic Stock Option Plan; (iv) amend the amendment provisions of the High Arctic Stock Option Plan; or (v) remove or exceed the insider participation limit.

During the previous two financial years ended December 31, 2023 and 2022, High Arctic were granted to the NEOs as follows:

Named Executive Officer	Number of Options Granted	Date of Grant	Exercise Price
Matthew Twa	30,000	August 14, 2022	\$1.30

Due to foreign tax considerations, no options were granted to Mr. Maguire (CEO) or Mr. Lambert (COO). As an alternative, the Corporation utilized its High Arctic PSU Plan to provide long term incentives to Mr. Maguire and Mr. Lambert in 2021, 2022 and 2023, as described further below.

Mr. Mierendorf departed the Corporation on August 17, 2023. Mr. Mierendorf had 100,000 High Arctic Options outstanding which expired and were cancelled on November 17, 2023.

Mr. Twa departed the Corporation on January 15, 2024. Mr. Twa had 40,500 High Arctic Options outstanding which expired and were cancelled on April 15, 2024.

As at December 31, 2023, there were 117,000 High Arctic Options outstanding, representing approximately 0.2% of the issued and outstanding Common Shares, leaving 4,750,357 Common Shares (equal to approximately 9.8% of the issued and outstanding Common Shares on that date) reserved and available for issuance upon the exercise of High Arctic Options that may be granted in the future if Common Shares issuable on High Arctic PSU Plan and High Arctic DSU Plan are not included in such calculation.

#### *B. High Arctic PSU Plan*

The Corporation adopted the High Arctic PSU Plan at the annual general and special meeting of the shareholders held on May 10, 2017. The High Arctic PSU Plan permits the grant of High Arctic PSUs and High Arctic DSUs (“**Units**”) to Executive Officers (as defined below) and consultants of the Corporation and its subsidiaries, partnerships, trusts or other controlled entities (each, a “**High Arctic Entity**”).

For purposes of the High Arctic PSU Plan, “**Executive Officer**” means any individual who is an employee of the Corporation or any High Arctic Entity who is (i) the President and/or Chief Executive Officer of the Corporation; (ii) Chief Financial Officer a vice-president of the Corporation; or (iii) any other employee or consultant which the Board determines, in its sole discretion, is an executive officer or whom the Board believes may have the ability to impact the long-term goals and objectives of the Corporation or High Arctic Entities, as applicable.

The principal purpose of the High Arctic PSU Plan is to develop the interest of Executive Officers and consultants of the Corporation and the High Arctic Entities in the growth and development of the Corporation by providing them with the opportunity to acquire an increased proprietary interest in High Arctic.

The High Arctic PSU Plan is administered by the Board or an appointee of the Board. Under the High Arctic PSU Plan, the Board may from time-to-time grant Units to Executive Officers and consultants of the Corporation and the High Arctic Entities (“**High Arctic PSU Plan Participants**”) in such numbers, at such times and on such terms and conditions, consistent with the High Arctic PSU Plan, as the Board may in its sole discretion determine.

The Board shall have discretion to apply vesting conditions on Units granted to a High Arctic PSU Plan Participant, including a High Arctic PSU Plan Participant’s continued employment with, or provision of consulting services to, the Corporation or a High Arctic Entity and/or the satisfaction of certain performance criteria set by the Board based on corporate and personal performance (“**Performance Criteria**”).

Units that are granted under the High Arctic PSU Plan that expire, terminate, or are cancelled or settled for any reason without being in the form of Common Shares issued, shall result in the Common Shares that were reserved for issuance under the High Arctic PSU Plan being available for a subsequent grant of Units pursuant to the High Arctic PSU Plan. Any increase in the issued and outstanding Common Shares (whether it is a result of settlement of Units or otherwise) will result in an increase in the number of Common Shares that may be issued pursuant to Units outstanding at any time and any increase in the number of Units granted will, upon the issue of Common Shares pursuant thereto, make new grants available under the High Arctic PSU Plan.

On a date (a “**Unit Release Date**”) to be selected by the Board following the date a Unit has become a vested Unit, the Corporation, at the Board’s discretion, shall either (i) make a cash payment to the High Arctic PSU Plan Participant equal to the product of the number of vested Units recorded in the High Arctic PSU Plan Participant’s account multiplied by the fair market value of the Common Shares on the Unit Release Date, less applicable withholding taxes, or (ii) issue from treasury of the Corporation, that number of Common Shares in exchange for the vested Units, less applicable withholding taxes.

In the event the Corporation elects to settle the Units through the issuance of Common Shares, the Corporation, at the Board’s discretion, has the option to either: (i) issue to the High Arctic PSU Plan Participant that number of Common Shares from treasury equal to the number of Units in the High Arctic PSU Plan Participant’s account that are being settled; or (ii) pay to a broker designated by the Corporation the cash amount to settle the Units less applicable withholding taxes, and the broker will, as soon as practicable thereafter use all of the cash to purchase Common Shares on behalf of such High Arctic PSU Plan Participant on the TSX.

On any date on which a cash dividend is paid on the Common Shares, a High Arctic PSU Plan Participant’s account will be credited with a dividend equivalent in the form of a number of Units calculated by multiplying the amount of the dividend per Common Share by the aggregate number of Units that were credited to the High Arctic PSU Plan

Participant's account as of the record date for payment of the dividend, and dividing that amount by the fair market value on the date on which the dividend is paid. If on the Unit Release Date a Black-Out Period (as defined below) has been imposed upon a High Arctic PSU Plan Participant which is still in effect, then the Unit Release Date shall occur within ten days following the expiry of the Black-Out Period. A "**Black-Out Period**" will be any period of time imposed by High Arctic pursuant to any insider trading policy of the Corporation in effect at the applicable time upon certain designated persons during which those persons may not trade in securities of the Corporation.

Prior to the Unit Release Date in respect of any Units, or prior to the Unit Release Date in the case of a change of control or otherwise to the extent that the performance determination has not yet been made, the Board shall assess the performance of the Corporation for the applicable period.

The individual measures considered by the Board, including the comparative weighting of such measures, shall be determined by the Board in its sole discretion having regard to the principal purposes of the High Arctic PSU Plan and, upon the assessment of the Performance Criteria, the Board shall determine the Corporation's ranking.

Measures that may be considered by the Board may include, but are not limited to, actual performance against the Corporation's strategic plan, total shareholder return of the Corporation against certain peer group members, and the attainment of certain operational, growth and financial milestones and metrics. A payout multiplier in respect of this ranking shall be determined in the range of 0.0 to 2.0 by the Board, in its sole discretion (the "**Payout Multiplier**").

Immediately prior to each Unit Release Date, the notional number of vested Units shall be adjusted by multiplying such number by the Payout Multiplier applicable to such Units.

Except in cases of termination of employment without cause as detailed in the paragraph below, upon the termination of the employment of a High Arctic PSU Plan Participant (as a result of the participant ceasing to be actively employed by, or provide services as a consultant to the Corporation or a High Arctic Entity), any Units standing to the credit of such High Arctic PSU Plan Participant which have not become vested on or before the date of the participant's termination (the "**Termination Date**"), shall immediately terminate and become null and void as of such date.

Subject to any provisions to the contrary in the employment or consulting agreement of any particular participant, upon the termination of employment without cause of such High Arctic PSU Plan Participant, unless otherwise determined by the Board in its sole discretion, those Units awarded to such High Arctic PSU Plan Participant that have not yet become vested, but would be eligible for vesting and issuance during the notice period specified in such participant's employment or consulting agreement, shall vest on the Termination Date. For a further description of the treatment of Units in the case of termination of a participant's employment or certain transactions including the Corporation, see "*Termination and Change of Control Benefits*".

Where the High Arctic PSU Plan Participant's Termination Date occurs as a result of the participant's death, any Units standing to the credit of such Participant shall continue to vest (and be paid out) in the normal course for a period of twelve (12) months extending from the Participant's Termination Date. Any Units granted to such participant which have not become vested Units on or before the date that is the first anniversary of participant's Termination Date shall terminate and become null and void as of such date.

In the event of a Change of Control (as such term is defined in the High Arctic PSU Plan) or a determination by the Board that a Change of Control is expected to occur, the Board shall have the authority to take all necessary steps so as to ensure the preservation of the economic interests of the High Arctic PSU Plan Participants in, and to prevent the dilution or enlargement of, any Units. See "*Statement of Executive Compensation - Termination and Change of Control Benefits*".

In the event of any subdivision, consolidation, stock dividend, capital reorganization, reclassification, exchange, or other change with respect to the Common Shares, or a consolidation, amalgamation, merger, spin-off, sale, lease or exchange of all or substantially all of the property of the Corporation or other distribution of the Corporation's assets to shareholders of the Corporation (other than the payment of ordinary cash or stock dividends in respect of the Common Shares), the number of Units then outstanding under the High Arctic PSU Plan shall be adjusted in such manner, if any, as the Corporation may in its discretion deem appropriate to preserve, proportionally, the interests of High Arctic PSU Plan Participants under the High Arctic PSU Plan. Adjustments shall be made by the

Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding, and conclusive.

Subject to the policies, rules and regulations of any lawful authority having jurisdiction over the Corporation, the Board may at any time, without further action by, or approval of, the shareholders, amend the High Arctic PSU Plan or any Units granted under the High Arctic PSU Plan in such respects as it may consider advisable and, without limiting the generality of the foregoing, it may do so to:

- (i) ensure that Units granted under the High Arctic PSU Plan will comply with any provisions respecting share units or other security-based compensation arrangements in the Tax Act or other laws in force in any country or jurisdiction of which a High Arctic PSU Plan Participant to whom a Unit has been granted may from time to time perform services or be resident;
- (ii) make amendments of a procedural or "housekeeping" nature;
- (iii) change the termination provisions of a Unit granted under the High Arctic PSU Plan which does not entail an extension of the expiry date of the Unit beyond the original expiry date of the Unit; or
- (iv) suspend or terminate the High Arctic PSU Plan.

Any such amendments shall, if made, become effective on the date selected by the Board. The Board may not, however, without the consent of the High Arctic PSU Plan Participants, or as otherwise required by law, alter, or impair any of the rights or obligations under any Unit theretofore granted.

Notwithstanding the above, approval of the shareholders will be required in order to:

- (i) increase the maximum percentage of outstanding Common Shares reserved for issuance under the High Arctic PSU Plan;
- (ii) amend the determination of fair market value under the High Arctic PSU Plan in respect of any Unit;
- (iii) extend the expiry date of any Unit;
- (iv) remove or increase any limit on grants of Units to insiders;
- (v) expand the circumstances under which Units may be assigned or transferred pursuant to the High Arctic PSU Plan;
- (vi) amend the class of eligible High Arctic PSU Plan Participants under the High Arctic PSU Plan;
- (vii) amend the provisions regarding amendment to the High Arctic PSU Plan; or
- (viii) grant additional powers to the Board to amend the High Arctic PSU Plan or any Unit without the approval of shareholders.

Upon termination of the High Arctic PSU Plan, subject to a resolution of the Board to the contrary, all unvested Units shall remain outstanding and in effect and continue to vest and be paid out in accordance with the terms of the High Arctic PSU Plan existing at the time of its termination and the applicable grant agreement, provided that no further Units will be credited to the account of any High Arctic PSU Plan Participant. The effective date of the High Arctic PSU Plan's termination shall be the date upon which no further Units remain outstanding.

Units under the High Arctic PSU Plan are not assignable nor transferable by a High Arctic PSU Plan Participant in whole or in part, either directly, by operation of law or otherwise, except through devolution by death, and no right or interest of any High Arctic PSU Plan Participant under the High Arctic PSU Plan or to receive any payment (whether in cash or Common Shares) shall be liable for or subject to any obligation or liability of such High Arctic PSU Plan Participant. Subject to the requirements of applicable law, a High Arctic PSU Plan Participant may designate in writing a beneficiary under the High Arctic PSU Plan.

**CEO, Mr. Maguire:**

- 1) With a return of capital and corporate reorganization under consideration, no new grants were made in 2023.

- 2) On March 14, 2022, Mr. Maguire was granted 99,999 High Arctic RSUs which vest in equal tranches on March 14, 2023, March 14, 2024 and March 14, 2025. As at the Effective Date, 66,666 of these High Arctic RSUs have vested.
- 3) On March 14, 2022, Mr. Maguire was granted 99,999 High Arctic PSUs, which vest in equal tranches on each of March 14, 2023, March 14, 2024 and March 14, 2025. On April 6, 2023, the Board determined that Mr. Maguire had achieved 55% of the Performance Criteria for the first tranche of 33,333 High Arctic PSUs from the 2022 grant that vested March 14, 2023 or 18,333 High Arctic PSUs, with the remaining 15,000 High Arctic PSUs being forfeited.
- 4) No grants were issued in 2021.

**Former CFO, Mr. Mierendorf:**

- 1) With a return of capital and corporate reorganization under consideration, no new grants were made in 2023.
- 2) On March 14, 2022, Mr. Mierendorf was granted 30,000 High Arctic RSUs which vest in equal tranches on March 14, 2023, March 14, 2024, and March 14, 2025. As at the Effective Date, 10,000 of these High Arctic RSUs had vested and were cash settled upon Mr. Mierendorf's departure. The unvested RSUs were forfeited on his departure.
- 3) On March 14, 2022, Mr. Mierendorf was granted 52,500 High Arctic PSUs, which vest in equal tranches on each of March 14, 2023, March 14, 2024 and March 14, 2025. On April 6, 2023, the Board determined that Mr. Mierendorf had achieved 45% of the Performance Criteria for the first tranche of 17,500 High Arctic PSUs from the 2022 grant that vested March 14, 2023 or 7,875 High Arctic PSUs, with the remaining 9,625 High Arctic PSUs being forfeited. The vested PSUs were cash settled upon Mr. Mierendorf's departure. The unvested RSUs were forfeited on his departure.
- 4) November 12, 2021, Mr. Mierendorf was granted 17,500 High Arctic PSUs which vest fully on March 14, 2022. On March 14, 2022, the Board determined that Mr. Mierendorf achieved 55% of the Performance Criteria for the High Arctic PSUs from the 2021 grant that vested March 14, 2022 or 9,625 High Arctic PSUs, while the remaining 7,875 High Arctic PSUs were forfeited. The vested PSUs were cash settled upon Mr. Mierendorf's departure. The unvested RSUs were forfeited on his departure.
- 5) Mr. Mierendorf was appointed to CFO on October 1, 2021 and was subsequently granted 10,000 High Arctic RSUs under the High Arctic PSU Plan. This award has a grant date of November 12, 2021 and the High Arctic RSUs vest fully on March 14, 2022 and have a two-year release restriction following vesting. As at the Effective Date, 10,000 of these High Arctic RSUs have vested. The vested RSUs were cash settled upon Mr. Mierendorf's departure.
- 6) Mr. Mierendorf departed on August 17, 2023 as Chief Financial Officer. All vested High Arctic PSUs were settled on departure and the unvested balance forfeited.

**CFO, Mr. Bate**

- 1) Mr. Bate joined High Arctic during 2023 in an interim capacity as a consultant. No grants were issued to him in 2023 as part of his consultant compensation.

**Mr. Lambert:**

- 1) With a return of capital and corporate reorganization under consideration, no new grants were made in 2023.
- 2) On March 14, 2022, Mr. Lambert was granted 30,000 High Arctic RSUs which vest in equal tranches on March 14, 2023, March 14, 2024 and March 14, 2025. As at the Effective Date, 20,000 of the High Arctic RSUs have vested.
- 3) On March 14, 2022, Mr. Lambert was granted 52,500 High Arctic PSUs, which vest in equal tranches on each of March 14, 2023, March 14, 2024, and March 14, 2025. On April 6, 2023, the Board determined that Mr. Lambert had achieved 73% of the Performance Criteria for the first tranche of 17,500 High Arctic PSUs from the 2022 grant that vested March 14, 2023 or 12,775 High Arctic PSUs, with the remaining 4,725 High Arctic PSUs being forfeited.
- 4) No new grants were issued in 2021.

**Mr. Twa:**

- 1) With a return of capital and corporate reorganization under consideration, no new grants were made in 2023.
- 2) Mr. Twa was not issued a grant in 2022.
- 3) No new grants were issued in 2021.

As at December 31, 2023, there were 320,597 High Arctic PSU/High Arctic RSUs outstanding in the High Arctic PSU Plan, representing approximately 0.7% of the issued and outstanding Common Shares, leaving 4,591,633 High Arctic PSU/High Arctic RSUs available for grant, or 9.4% of the issued and outstanding Common Shares if Common Shares issuable in the High Arctic DSU Plan and Option Plan are not included in such calculation.

### *C. High Arctic DSU Plan*

The High Arctic DSU Plan allows the Board (or an appointee of the Board) to grant High Arctic DSUs, each of which is a unit that is equivalent in value to a Common Share (or cash equivalent thereof). High Arctic DSUs will be fully vested upon grant and a Participant (as defined below) will have the right to receive, at the election of the Corporation, either a cash payment or the issuance of Common Shares on the Redemption Date (as defined below).

#### ***Purpose of the High Arctic DSU Plan and Eligibility***

The principal purposes of the High Arctic DSU Plan are to provide non-employee directors of the Corporation and the High Arctic Entities with the opportunity to acquire High Arctic DSUs to enable them to participate in the long term success of Corporation and to promote a greater alignment of interests between directors of the Corporation and its shareholders.

Any individual who is a non-employee member of the Board (an “**Eligible Director**”) of the Corporation or of a High Arctic Entity is eligible to participate in the High Arctic DSU Plan.

#### ***Grants of High Arctic DSUs***

The High Arctic DSU Plan will be administered by the Board or an appointee of the Board (which may be an officer or a committee of the Board, as determined in the Board's sole discretion), which, from time to time in its sole discretion, will grant High Arctic DSUs to Eligible Directors (“**Participants**”).

#### *Discretionary Grants*

The Board may grant High Arctic DSUs to Participants in its sole discretion. In respect of each discretionary grant of High Arctic DSUs, the Board will determine, among other things, the number of High Arctic DSUs allocated to the Participant and such other terms and conditions of the High Arctic DSUs applicable to each grant.

#### *Elected Grants*

In addition to the discretionary grants discussed above, a Participant may elect to receive all or a portion of that Participant's total cash compensation (which includes annual retainer, attendance fee and discretionary compensation payable to such director) in the form of High Arctic DSUs, to be determined at the beginning of each financial quarter. Each Participant may elect, with respect to any financial quarter, to be paid a percentage (from 0 to 100% in 25% increments) of their total cash compensation in High Arctic DSUs. If the Participant fails to make an election in accordance with the procedures as outlined in the High Arctic DSU Plan, the total cash compensation for such quarter will be paid in cash. All elections under the High Arctic DSU Plan are irrevocable.

The number of High Arctic DSUs to be credited to a Participant for services in a financial quarter will be determined by dividing the total amount of compensation that the Participant elected to receive in High Arctic DSUs (payable by the Corporation on the last day of such financial quarter (the “**Purchase Date**”)) by the Fair Market Value (as defined below) as at the Purchase Date, or such other date as otherwise determined by the Board in its discretion.

#### ***Limits on Issuances***

Unless otherwise approved by the shareholders, the aggregate number of Common Shares that may be reserved for issuance pursuant to High Arctic DSUs created under the High Arctic DSU Plan, together with all other security-based compensation arrangements that provide for the issuance of Common Shares (including the Amended Stock Option Plan and High Arctic PSU Plan), shall not exceed ten percent (10%) of the issued and outstanding Common Shares from time to time.

The number of Common Shares issuable to Insiders (as defined by the TSX for this purpose) at any time, under all security based compensation arrangements of the Corporation, shall not exceed ten percent (10%) of the issued and outstanding Common Shares and the number of Common Shares issued to Insiders, within any one year period, under all security based compensation arrangements of the Corporation, shall not exceed ten percent (10%) of the issued and outstanding Common Shares.

The aggregate number of Common Shares that may be reserved for issuance pursuant to High Arctic DSUs credited under the High Arctic DSU Plan to independent directors, together with all other security-based compensation arrangements of the Corporation that provide for the issuance of Common Shares to independent directors, shall not exceed one percent (1%) of the issued and outstanding Common Shares from time to time.

High Arctic has entered into amending agreements with each of the holders of High Arctic DSUs, pursuant to which the holders have agreed that any High Arctic DSUs in excess of the 1% Limit can only be settled in cash, not in Common Shares.

High Arctic DSUs that are granted under the High Arctic DSU Plan that expire, terminate, or are cancelled or settled for any reason without being in the form of Common Shares issued, shall result in the Common Shares that were reserved for issuance under the High Arctic DSU Plan being available for a subsequent grant of High Arctic DSUs pursuant to the High Arctic DSU Plan.

Any increase in the issued and outstanding Common Shares (whether it is a result of settlement of High Arctic DSUs or otherwise) will result in an increase in the number of Common Shares that may be issued pursuant to High Arctic DSUs outstanding at any time and any increase in the number of High Arctic DSUs granted will, upon the issue of Common Shares pursuant thereto, make new grants available under the High Arctic DSU Plan.

### ***Vesting***

High Arctic DSUs will be fully vested upon being granted and credited to an account maintained by the Corporation for each Participant (an "**Account**").

### ***Fair Market Value Determination***

The "**Fair Market Value**" of a Common Share for the purposes of the High Arctic DSU Plan means, where the Common Shares are listed on the TSX (or such other exchange on which the Common Shares are then listed and posted for trading), the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding a particular date. If the Common Shares are not listed on any stock exchange, the "Fair Market Value" of a Common Share on a particular date shall be determined by the Board in its sole discretion.

### ***Dividend Equivalents***

On any date on which a cash dividend is paid on the Common Shares, a Participant's Account will be credited with a dividend equivalent in the form of a number of High Arctic DSUs (including fractional High Arctic DSUs, computed to three digits) calculated by multiplying the amount of the dividend per Common Share by the aggregate number of High Arctic DSUs that were credited to the Participant's Account as of the record date for payment of the dividend, and dividing that amount by the Fair Market Value on the date on which the dividend is paid.

### ***Termination of Service and Payout of High Arctic DSUs***

A Participant will have the right to receive, at the election of the Corporation, either a cash payment or the issuance of Common Shares in respect of the settlement of the High Arctic DSUs recorded in the Participant's Account, on the later of the following dates (the "**Redemption Date**"): (i) the third business day following the date on which the



Participant ceases to serve as a director of, and is not an employee or officer of, the Corporation or a High Arctic Entity (the "**Separation Date**"); or (ii) such later date as may be agreed in writing between the Corporation and the Participant before the Separation Date, provided that in no event shall the Redemption Date be deferred to a date that is later than December 15th of the calendar year commencing immediately after the Separation Date.

A Participant (or in the event of the Participant's death, his beneficiary or legal representative) who is not a U.S. Director (as such term is defined in the High Arctic DSU Plan) will receive (a) a payment (the "**Cash Payment**") equal in value to the number of High Arctic DSUs recorded in the Participant's Account on the Separation Date multiplied by the Fair Market Value per Common Share on the Redemption Date, less any applicable withholding taxes, or (b) issuance from treasury of the Corporation of that number of Common Shares for the High Arctic DSUs recorded on the Participant's Account, less applicable withholding taxes. Upon payment in full of the Cash Payment less any withholding taxes, or upon receipt of the Common Shares issued less any applicable withholding taxes, the High Arctic DSUs will be cancelled and no further payments will be made to the Participant under the High Arctic DSU Plan for such High Arctic DSUs.

A Participant (or in the event of the Participant's death, his beneficiary or legal representative) who is a U.S. Director (as such term is defined in the High Arctic DSU Plan) will receive cash equal to the Fair Market Value of the Common Shares on the Separation Date multiplied by the number of High Arctic DSUs recorded on the Participant's Account, net of any applicable withholding tax.

In the event the Corporation elects to settle the High Arctic DSUs through the issuance of Common Shares, the Corporation has the option to either: (i) issue to the Participant that number of Common Shares from treasury equal to the number of High Arctic DSUs in the Participant's Account that are being settled; or (ii) pay to a broker designated by the Corporation the Cash Payment less withholding taxes, and the broker will, as soon as practicable thereafter use all of the cash to purchase Common Shares on behalf of such Participant on the TSX.

#### ***Black Out Periods***

If on the Redemption Date a Black-Out Period (as defined below) has been imposed upon a Participant which is still in effect, then the Redemption Date shall occur within ten days following the expiry of the Black-Out Period.

A "**Black-Out Period**" will be any period of time imposed by High Arctic pursuant to any insider trading policy of the Corporation in effect at the applicable time upon certain designated persons during which those persons may not trade in securities of the Corporation.

#### ***Death of Participant***

In the event of the death of a Participant, the Corporation will, within two months of the Participant's death, pay cash equal to the Fair Market Value of the Common Shares multiplied by the number of High Arctic DSUs recorded on the Participant's Account which would be deliverable to the Participant if the Participant had ceased being a director, in respect of the High Arctic DSUs credited to the deceased Participant's Account (net of any applicable withholding tax) to or for the benefit of the Participant's beneficiary. The Fair Market Value will be calculated on the date of death of the Participant.

#### ***Adjustments to High Arctic DSUs***

In the event of any subdivision, consolidation, stock dividend, capital reorganization, reclassification, exchange, or other change with respect to the Common Shares, or a consolidation, amalgamation, merger, spin-off, sale, lease or exchange of all or substantially all of the property of the Corporation or other distribution of the Corporation's assets to shareholders of the Corporation (other than the payment of ordinary course cash or stock dividends in respect of the Common Shares), the number of High Arctic DSUs then outstanding under the High Arctic DSU Plan shall be adjusted in such manner, if any, as the Corporation may in its discretion deem appropriate to preserve, proportionally, the interests of Participants under the High Arctic DSU Plan. Adjustments shall be made by the Board, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

#### ***Amendment of the High Arctic DSU Plan***

Subject to the policies, rules and regulations of any lawful authority having jurisdiction over the Corporation (including the TSX), the Board may at any time, without further action by, or approval of, the shareholders, amend the High Arctic DSU Plan or any High Arctic DSU granted under the High Arctic DSU Plan in such respects as it may consider advisable and, without limiting the generality of the foregoing, it may do so to: ensure that High Arctic DSUs granted under the High Arctic DSU Plan will comply with any provisions respecting deferred share units or other security based compensation arrangements in the Tax Act or other laws in force in any country or jurisdiction of which a Participant to whom a High Arctic DSU has been granted may from time to time perform services or be resident; make amendments of a procedural or "housekeeping" nature; suspend or terminate the High Arctic DSU Plan. Any such amendments shall, if made, become effective on the date selected by the Board. The Board may not, however, without the consent of the Participants, or as otherwise required by law, alter or impair any of the rights or obligations under any High Arctic DSUs theretofore granted. Shareholder approval shall be obtained for any amendments as required by the TSX, including, among other things, in relation to an amendment to remove or exceed insider participation limits under the High Arctic DSU Plan and amendments to the amending provision.

### ***Transferability of Rights under High Arctic DSU Plan***

High Arctic DSUs under the High Arctic DSU Plan are not assignable nor transferable by a Participant in whole or in part, either directly, by operation of law or otherwise, except through devolution by death, and no right or interest of any Participant under the High Arctic DSU Plan or to receive any payment (whether in cash or Common Shares) shall be liable for or subject to any obligation or liability of such Participant. Subject to the requirements of applicable law, a Participant may designate in writing a beneficiary under the High Arctic DSU Plan.

### ***Misconduct***

Subject to the terms of any particular grant under the High Arctic DSU Plan, and unless otherwise determined by the Board, if it is determined that there has been Misconduct by a Participant, any High Arctic DSUs accumulated and remaining on a Participant's Account as at the determination date of such Misconduct, including dividend equivalents in respect of such High Arctic DSUs, shall be forfeited and cancelled immediately. "Misconduct" for the purposes of the High Arctic DSU Plan shall mean (i) serious misconduct, including conduct which has a significant negative impact on the reputation or operations of the Corporation or the High Arctic Entities; (ii) fraud; (iii) a wilful breach of the provisions of applicable Corporation policies in effect from time to time; or (iv) failure to act in accordance with the directors' fiduciary obligations.

### ***High Arctic DSUs issued in lieu of cash compensation***

The following transactions under the High Arctic DSU Plan took place during 2023 and 2022:

On March 31, 2023, the following Board members were granted the following High Arctic DSUs in lieu of cash payment for Director fees earned:

- Michael Binnion	18,945	- Joe Oliver	10,317
- Daniel Bordessa	12,380	- Ember Shmitt	7,503

On June 30, 2023, the following Board members were granted the following High Arctic DSUs in lieu of cash payment for Director fees earned:

- Michael Binnion	19,783	- Joe Oliver	8,243
- Daniel Bordessa	10,510		

On September 30, 2023, the following Board members were granted the following High Arctic DSUs in lieu of cash payment for Director fees earned:

- Michael Binnion	17,712	- Joe Oliver	7,396
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On December 31, 2023, the following Board members were granted the following High Arctic DSUs in lieu of cash payment for Director fees earned:

- Michael Binnion	27,667	- Joe Oliver	15,091
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On March 31, 2022, the following Board members were granted the following High Arctic DSUs in lieu of cash payment for Director fees earned:

- Michael Binnion	13,652	- Joe Oliver	5,688
- Daniel Bordessa	7,252	- Ember Shmitt	5,688

On June 30, 2022, the following Board members were granted the following High Arctic DSUs in lieu of cash payment for Director fees earned:

- Michael Binnion	14,681	- Joe Oliver	5,647
- Daniel Bordessa	7,421	- Ember Shmitt	6,453

On September 30, 2022, the following Board members were granted the following High Arctic DSUs in lieu of cash payment for Director fees earned:

- Michael Binnion	21,384	- Joe Oliver	10,596
- Daniel Bordessa	12,715	- Ember Shmitt	9,632

On December 9, 2022, each Board member was granted 15,000 High Arctic DSUs, which were issued in respect of 2022 Board service.

On December 31, 2022, the following Board members were granted the following DSUs in lieu of cash payment for Director fees earned:

- Michael Binnion	15,296	- Joe Oliver	5,883
- Daniel Bordessa	7,732	- Ember Shmitt	5,883

No High Arctic DSUs were exercised during 2022 as no directors left the Corporation during this period.

In 2023, 364,103 High Arctic DSUs were exercised and cash settled for directors who left the Corporation.

As at December 31, 2023, there were 938,536 High Arctic DSUs outstanding, representing approximately 1.9% of the issued and outstanding Common Shares, leaving 3,973,694 High Arctic DSUs available for grant, or 8.09% of the issued and outstanding Common Shares, if Common Shares issuable under the High Arctic PSU Plan and Option Plan are not included in such calculation.

### **Summary of Outstanding High Arctic Equity Plans:**

The table below summarizes the total securities outstanding under the Corporation's long-term incentive plans as at December 31, 2023:

	Options	High RSUs/High PSUs	Arctic Arctic	High Arctic DSU	Total
Total Outstanding	117,000	317,378		934,893	1,369,271
% of Common Shares	0.24%	0.65%		1.92%	2.81%

### **Burn Rates**

The Corporation's annual burn rate, as described in Section 613(d) of the TSX Company Manual, under each security-based compensation arrangement is as follows:

Security-Based Compensation Arrangement	Fiscal 2020 (%)	Fiscal 2021 (%)	Fiscal 2022 (%)	Fiscal 2023 (%)
Option Plan	0.00	1.31	0.06	0.00
High Arctic PSU Plan	1.83	0.33	0.56	0.07
High Arctic DSU Plan	0.75	0.64	1.05	0.40%
Total	2.58	2.28	1.67	0.47%

The burn rate is calculated as a percentage, being the number of securities granted under a specific arrangement during the applicable fiscal year, divided by the weighted average number of securities outstanding for the applicable fiscal year. The burn rates are subject to change from time to time, based on the number of Options, High Arctic RSU/High Arctic DSU Units and High Arctic DSU Units granted and the total number of Common Shares issued and outstanding.

## Other Elements of Compensation

### *Benefits and Perquisites*

In addition to the compensation elements set out above, the NEOs also participate in the Corporation's benefit plans that are available to all employees. The level of other perquisites depends on the employee's position. The purpose of the benefits and perquisites is to attract, retain and motivate the employees.

At the discretion of the Board, certain NEOs may also be entitled to receive an automobile and parking allowance.

The Corporation also offers a Group Registered Retirement Savings Plan ("RRSP Plan") that is available to full-time and part-time employees, including the NEOs that are resident in Canada. Participation into the RRSP Plan is voluntary, and employees can enroll immediately upon employment. Employer matching contributions begin after 6 months of continuous service. Matching contributions are between 3% - 5%, depending on length of service.

The overall contributions of the RRSP Plan is capped at the allowable limits applicable to an RRSP under the Tax Act.

The NEOs residing in Australia participate in a statutory superannuation benefit plan that is intended to provide pension benefits to Australian based employees at the cost of the Corporation. For Messrs. Maguire and Lambert, this amounted to the equivalent of AUD 27,500 each in 2023. The Bank of Canada average AUD/CAD exchange rate in 2023 was 1.0000 AUD to 0.8967 CAD.

## NEO 2023 Performance

In assessing the performance of each NEO for 2023, the CEO, as well as the Remuneration Committee considered the following performance criteria:

- NEO contributions to the development and execution of the Corporation's business plans and strategies;
- Performance of the NEO's regional business units / functional areas;
- Prioritization of safety as a critical focus area and key measure of success;
- Achievement of their top five priorities;
- Level and scope of responsibility;
- Tenure with the Corporation;
- Demonstrated leadership ability;
- Teamwork; and
- Work ethic.

## IV. Summary Compensation Table of NEOs

The following table sets forth all annual and long-term compensation for the financial year ended December 31, 2023, with comparative information for years ended December 31, 2022 and December 31, 2021, for services in all capacities to the Corporation and its subsidiaries, if any, in respect of the NEOs.

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year Ended Dec. 31	Salary (\$)	Share-Based Awards (\$) <sup>(1)</sup>	Option-Based Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other <sup>(4)</sup> Compensation (\$)	Total Compensation (\$) <sup>(10)</sup>
					Annual Incentive Plans <sup>(3)</sup>	Long-Term Incentive Plans			
Michael J. Maguire CEO <sup>(5)</sup>	2023	384,521	-	-	76,088	-	24,659	-	485,268
	2022	363,531	329,997	-	75,923	-	22,843	-	716,371
	2021	329,741	-	-	-	-	21,321	-	351,062
Lonn Bate CFO <sup>(7)</sup>	2023	-	-	-	-	-	-	110,475	110,475
Lance Mierendorf Former CFO <sup>(6)</sup>	2023	157,500	-	-	10,000	-	-	98,864	256,364
	2022	262,500	136,125	-	53,156	-	-	4,200	402,825
	2021	59,567	49,225	57,560	-	-	-	1,050	167,402
Stephen Lambert COO <sup>(8)</sup>	2023	314,121	-	-	71,543	-	24,659	-	410,323
	2022	298,050	136,125	-	62,248	-	22,843	-	457,434
	2021	282,635	-	-	-	-	21,321	-	303,956
Matthew Twa VP - Strategy & Business Development <sup>(9)</sup>	2023	197,169	-	-	3,000	-	-	5,760	205,929
	2022	133,362	-	13,786	29,769	-	-	23,840	200,707
	2021	45,451	-	-	-	-	-	-	45,451

Notes:

- (1) "Share-Based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.  
**High Arctic PSU Plan:** No PSUs were granted in 2023. All 2022 amounts reflect the grant date fair value of Units awarded determined by multiplying the number of Units granted by \$1.65, the trading value of the Common Shares at the time of grant. All 2021 amounts reflect the grant date fair value of Units awarded determined by multiplying the number of Units granted by \$1.79, the trading value of the Common Shares at the time of grant.
- (2) "Option-Based Award" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features. The reported amounts reflect options awarded under the Option Plan and were calculated using the Black-Scholes model based on a trading value at award equal to the exercise price. This method is the same as the methodology used by the Corporation in calculating stock option compensation in its audited financial statements.
- (3) Annual Incentive Plans are awarded and paid in the year following the period in which the performance took place.
- (4) Other compensation includes severance amounts and parking allowances.
- (5) Mr. Maguire was appointed as CEO on March 23, 2020. Previously, he was President, International from December 2016. His remuneration has been converted from Australian dollars to Canadian dollars at an average annual exchange rate, except for his Annual Incentive Plan payments which has been converted in part from US dollars at the rate on the day of payment.
- (6) Mr. Mierendorf departed the Corporation as CFO in August 2023.
- (7) Mr. Bate was appointed CFO of the Corporation on August 17, 2023. Mr Bate provided his services in 2023 through his consulting company 1545499 Alberta Ltd.
- (8) Mr. Lambert was appointed Chief Operating Officer in November 2022 after having been appointed Chief Quality and Risk Officer in 2021, Mr. Lambert has had the previous roles with the Corporation include; Vice-President Business Support and Chief Process Officer, Director, Quality and Risk, and General Manager International. His remuneration has been converted from Australian dollars to Canadian dollars at the average annual exchange rate, except for his Annual Incentive Plan payment which has been converted in part from US dollars at the rate on the day of payment.
- (9) Mr. Twa was appointed VP – Strategy & Business Development (Canada) in November 2022 after having been appointed Commercial Officer in 2021 and left the Corporation in January, 2024.
- (10) The NEOs receive minimal perquisites/other benefits. However, none of the NEOs are entitled to perquisites or other personal benefits which in the aggregate, are worth over \$50,000 or over 10% of their base salary.

## V. Incentive Plan Awards

### Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each Named Executive Officer of the Corporation as of the most recent financial year end.

Name and Title	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options <sup>(1)(2)</sup> (\$)	Number of Shares or Share Units that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested <sup>(3)</sup> (\$)	Market or Payout Value of vested Share-Based Awards not paid out or distributed <sup>(4)</sup> (\$)
<b>Michael J. Maguire</b> CEO	Nil	Nil	Nil	Nil	127,866	140,653	77,832
<b>Lonn Bate</b> CFO	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Stephen Lambert</b> COO	Nil	Nil	Nil	Nil	54,426	59,869	32,150
<b>Matthew Twa</b> <sup>(5)</sup> VP - Strategy & Business Development	40,500	\$1.30	August 2027	Nil	Nil	Nil	Nil

Notes:

- (1) Unexercised "in-the-money" options refer to the options in respect of which the market value of the underlying securities exceeded the exercise or base price of the option at the financial year end.
- (2) The aggregate of the excess, if any, between the market value of the Common Shares as at December 31, 2023 (the last day the Common Shares traded in the most recently completed financial year), being \$1.10 per Common Share, and the exercise price of the options.
- (3) The aggregate of the market value of the unvested Common Shares held under the High Arctic PSU Plan as at December 31, 2023 (the last day the Common Shares traded in the most recently completed financial year), being \$1.10 per Common Share.
- (4) The aggregate of the market value of the vested Common Shares held under the High Arctic PSU Plan as at December 31, 2023 (the last day the Common Shares traded in the most recently completed financial year), being \$1.10 per Common Share.
- (5) Mr. Twa left the Corporation in January 2024 and the 40,500 unexercised options were cancelled on April 15, 2024.

### Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards, share-based awards and non-equity incentive plan compensation which vested or was earned during the most recently completed financial year for each NEO.

Name and Title	Option-Based Awards - Value vested during the year <sup>(1)</sup> (\$)	Share-Based Awards - Value vested during the year <sup>(2)</sup> (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
<b>Michael J. Maguire</b> CEO	Nil	304,729	76,088
<b>Lance Mierendorf</b> CFO	Nil	26,984	10,000
<b>Lonn Bate</b> CFO	Nil	Nil	Nil
<b>Stephen Lambert</b> COO	Nil	131,705	71,543
<b>Matthew Twa</b> <sup>(3)</sup> VP Strategy & Business Development	1,755	Nil	3,000

Notes:

- (1) Calculated based on the difference between the closing price of the Common Shares on the vesting date and the exercise price of the stock options.
- (2) Calculated based on the closing price of the Common Shares on the vesting date.
- (3) Mr. Twa left the Corporation in January 2024.

## **VI. Group Savings and Retirement Plan**

The Corporation has a group RRSP savings plan as described previously under the heading “*Other Elements of Compensation - Benefits and Perquisites*”.

## **VII. Termination and Change of Control Benefits**

As at December 31, 2023, the Corporation has entered into employment agreements with Messrs. Maguire, Bate and Lambert, (the “**Employment Agreements**”). Each of the Employment Agreements provides for the NEO’s annual base salary, vacation entitlement and benefits.

Certain Employment Agreements have entitlements on termination and change of control as follows:

<b>Termination Event</b>	<b>Provisions in employment agreements of NEOs</b>
Resignation	<ul style="list-style-type: none"><li>• all salary and benefit programs end;</li><li>• vested stock options must be exercised within 90 days (per the Option Plan); and</li><li>• Units that are vested will be released on their respective Unit Release Date and Units that are not vested, but would be eligible for vesting during the notice period specified in the employee’s employment or consulting agreement, will vest on the Termination Date (per the High Arctic PSU Plan).</li></ul>
Retirement	<ul style="list-style-type: none"><li>• all salary and benefit programs end;</li><li>• vested stock options must be exercised within 90 days (per the Option Plan); and</li><li>• Units that are vested will be released on their respective Unit Release Date and Units that are not vested, but would be eligible for vesting during the notice period specified in the employee’s employment or consulting agreement, will vest on the Termination Date (per the High Arctic PSU Plan).</li></ul>
Death	<ul style="list-style-type: none"><li>• all salary and benefit programs end;</li><li>• vested stock options must be exercised within one year (per the Option Plan); and</li><li>• Units that are vested will be released and Units will continue to vest and be released for a period of twelve (12) months extending from the Termination Date (per the High Arctic PSU Plan) and Units that are not vested within the first anniversary of death will terminate.</li></ul>
Termination without cause	<ul style="list-style-type: none"><li>• pay in lieu of notice equal to between one- and three-months’ salary.</li><li>• for Mr. Maguire, within the first three years of employment, pay in lieu of notice equal to four months’ salary. Thereafter, the notice period will increase by one month per year of service to a maximum of twelve months;</li><li>• vested stock options must be exercised within 90 days (per the Option Plan); and</li><li>• Units that are vested will be released on their respective Unit Release Date and Units that are not vested, but would be eligible for vesting during the notice period specified in the employee’s employment or consulting agreement, will vest on the Termination Date (per the High Arctic PSU Plan).</li></ul>
Termination for cause	<ul style="list-style-type: none"><li>• all salary and benefit plans end on the date of termination;</li><li>• all unvested and vested stock options that have not been exercised are cancelled as of the option holder’s date of termination; and</li></ul>

## Termination Event

## Provisions in employment agreements of NEOs

- Units that are vested will be released on their respective Unit Release Date and Units that are not vested shall immediately terminate (per the High Arctic PSU Plan).

### Change of Control

- For Mr. Maguire, payment equal to base salary and benefits for eighteen months;
- vested stock options must be exercised within 90 days and unvested stock options may be deemed vested at the discretion of the Board of Directors (per the Option Plan); and
- the High Arctic PSU Plan provides the Board with the ability to preserve Unit benefits through the issuance of replacement units, which vest under similar terms and conditions of the existing Units, or cause all Units to vest prior to the change of control, or any combination of these alternatives.

## Change of Control

The Employment Agreement for Mr. Maguire contains specific provisions relating to a “change of control”. Under the Employment Agreement:

- in the event that there is a change of control, merger, amalgamation or reorganization of the Corporation or a sale of all or substantially all of its assets (a “**Trigger Event**”); and
- as a result of the Trigger Event, that person is demoted, has a substantial reduction in responsibilities or is terminated or constructively dismissed,

then he is entitled to resign his employment and receive a severance payment equal to the aggregate of his base salary, vehicle allowance, insurance benefit program (based on employer contributions) and employer pension contributions based on the preceding 18 months, which shall be paid as a retiring allowance if requested by the employee. Mr. Maguire has 60 days following the Trigger Event to exercise the discretion to resign. The Employment Agreement also provides that Mr. Maguire will be entitled to payment of any bonuses pursuant to any bonus plan that have accrued to the date of termination.

## Specific Payments Upon Termination of Employment

The following table sets out the estimated payments that Named Executive Officer would be entitled to upon resignation, retirement, termination without cause, termination for cause and a change of control, based on the compensation payouts for the year ended December 31, 2023:

Name	Event	Severance Period (# of months)	Base Salary <sup>(1)</sup> <sup>(6)</sup> (\$)	Benefits Value <sup>(2)</sup> (\$)	Options Value (\$)	Share-based Awards Value (\$)	Total incremental obligation (\$)
Michael J. Maguire CEO	Resignation	-	-	-	-	77,832 <sup>(5)</sup>	77,832
	Retirement	-	-	-	-	77,832 <sup>(5)</sup>	77,832
	Termination without cause	10	320,434	48,065	-	77,832 <sup>(5)</sup>	446,331
	Termination for cause	-	-	-	-	77,832 <sup>(5)</sup>	77,832
	Change of Control	18	576,782	86,517	-	218,485 <sup>(6)</sup>	881,784
Stephen Lambert COO	Resignation	-	-	-	-	32,150 <sup>(5)</sup>	32,150
	Retirement	-	-	-	-	32,150 <sup>(5)</sup>	32,150
	Termination without cause	3	78,530	11,780	-	32,150 <sup>(5)</sup>	122,460



Name	Event	Severance Period (# of months)	Base Salary <sup>(1) (6)</sup> (\$)	Benefits Value <sup>(2)</sup> (\$)	Options Value (\$)	Share-based Awards Value (\$)	Total incremental obligation (\$)
	Termination for cause	-	-	-	-	32,150 <sup>(5)</sup>	32,150
	Change of Control	Nil	-	-	-	92,019 <sup>(6)</sup>	92,019

Notes:

- (1) The NEOs' monthly salary on December 31, 2023 multiplied by the number of months in the severance period. For individuals paid in Australian dollars, the amount is converted to Canadian dollars at a rate of one Australian dollar equals 0.90 Canadian dollar.
- (2) The value of 15% of the NEOs' severance base salary to compensate for the loss of benefits.
- (3) The total value of vested unexercised stock options that are in-the-money based on \$1.10, the closing price of the Common shares of the Corporation on the TSX on December 29, 2023.
- (4) The total value of vested and unvested unexercised stock options that are in-the-money based on \$1.10, the closing price of the Common shares of the Corporation on the TSX on December 29, 2023.
- (5) The value of Units that had vested as at December 31, 2023 based on \$1.10, the closing price of the Common shares of the Corporation on the TSX on December 29, 2023.
- (6) The total value of vested and unvested Units based on \$1.10, the closing price of the Common shares of the Corporation on the TSX on December 29, 2023.

### ***VIII. Compensation Claw backs***

Each NEO shall repay or forfeit, to the extent permitted by law and as directed by the, any annual incentive or other performance-based compensation awards ("**Awards**") received by him or her on or after January 1, 2023 if all of the following conditions exist:

- the payment, grant or vesting of the Awards was based on the achievement of financial results that were subsequently the subject of a restatement of the Corporation or any of its subsidiaries financial statements (other than a restatement due to a change in accounting policy),
- the restatement occurs within thirty-six (36) months of the payment, grant or vesting of the Awards, and
- the amount of the compensation that would have been received by the executive officer had the financial results been properly reported would have been lower than the amount actually received, and
- the Board determines in its sole discretion that, as a direct result of the restatement of financial information and the impact on the amount of compensation previously paid, it is in the best interests of the Corporation and its shareholders for the executive officer to repay or forfeit all or any portion of the Awards.

Any of the Board's directors deemed not to be independent, as identified pursuant to applicable exchange listing standards, shall abstain from participation in the review of any Awards under the Compensation Claw back protocols.

Repayment can be made from the withholding of salary, proceeds of the sale of the Corporation's stock and the forfeiture of other outstanding awards. This remedy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Corporation.

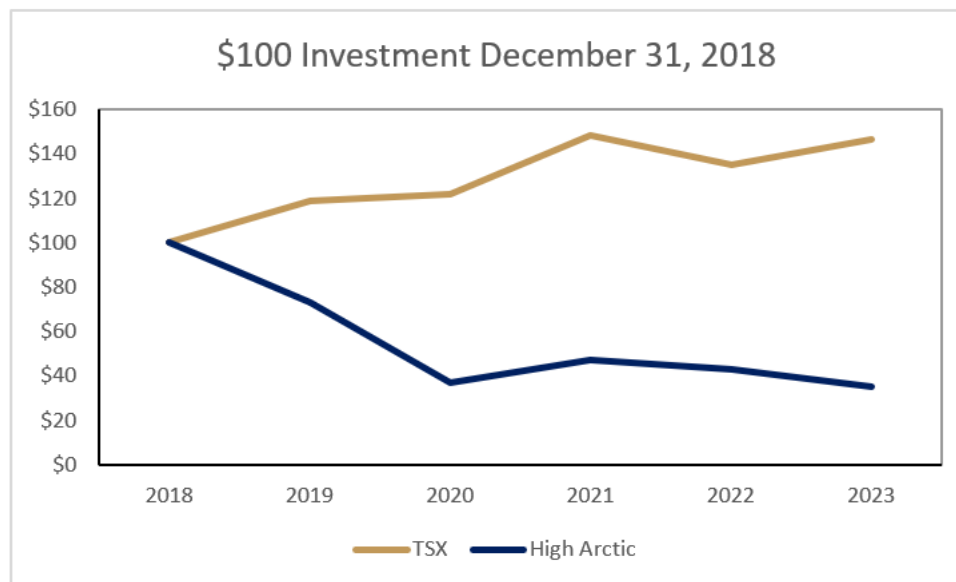
All determinations and decisions made by the Board's independent directors pursuant to the provisions of this policy shall be final, conclusive and binding on all persons, including the Corporation, its affiliates, its shareholders and employees.

### ***IX. Other Compensation***

Other than as set forth herein, the Corporation did not pay any other compensation to NEOs (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full-time employees) during the last completed financial year other than benefits and perquisites which did not amount to greater than \$50,000 or 10% of their base salary, per individual.

## PERFORMANCE GRAPH

The following five-year graph compares the yearly change in cumulative shareholder return over the periods indicated (assuming a \$100 investment was made on December 31, 2018) on the Common Shares of the Corporation, with the cumulative total return of the S&P/TSX Composite Index from December 31, 2018 to December 31, 2023.



Date	S&P Composite Index	Market Price per Common Share	Annual Dividends Declared per Common Share
2019	17,063	\$2.31	\$0.198
2020	17,433	\$1.16	\$0.033
2021	21,223	\$1.49	\$0.200
2022	19,385	\$1.55	\$0.045
2023	20,958	\$1.10	\$0.045

The trend in the performance graph does not directly correlate to the trend of the compensation paid to the NEOs.

The Corporation has concluded that management must be compensated based on competitive market conditions and the value of the services provided, irrespective of Common Share price movements. The trading price of the Common Shares directly impacts the benefits enjoyed by the NEOs as a result of the NEOs' participation in the equity-based incentive plans offered by the Corporation.

## STATEMENT OF DIRECTOR COMPENSATION

For the year ended December 31, 2023, all Directors received an annual retainer of \$25,000 each. Further, annual retainers paid to the following chairs were returned to prior approved levels:

Position	Additional Compensation - 2023
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Chair of the Board	\$50,000
Chair of the Audit Committee	\$15,000
Chair of the Remuneration Committee	\$5,000
Chair of the Governance and Nominating Committee	\$5,000
Chair of the Quality, Health, Safety and Environmental Committee	\$5,000
Members of the Executive Committee	\$6,000

The directors received a further \$1,250 per meeting of the Board and audit committee and for meetings of other committees that are not otherwise part of a board meeting.

### ***I. Director Compensation Table***

The following table sets forth all compensation provided to directors of the Corporation in the financial year ended December 31, 2023.

<b>Name of Director</b>	<b>Fees Earned (1) (\$)</b>	<b>Share-Based Awards (2) (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Pension Value (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Simon P.D. Batcup	53,500	nil	nil	nil	nil	53,500
Michael Binnion	102,250	nil	nil	nil	nil	102,250
Daniel J. Bordessa <sup>(3)</sup>	29,250	nil	nil	nil	nil	29,250
Joe Oliver	49,750	nil	nil	nil	nil	49,750
Ember W.M. Shmitt <sup>(3)</sup>	10,000	nil	nil	nil	nil	10,000
Douglas J. Strong	73,500	nil	nil	nil	nil	73,500
	318,250	nil	nil	nil	nil	318,250

Notes:

- (1) "Fees Earned" means quarterly fees earned by Directors in 2023.
- (2) "Share-Based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock. The value attributed is calculated based on \$1.10, the closing price of the Common shares of the Corporation on the TSX on December 29, 2023, multiplied by the number of awards (High Arctic DSUs) issued in the year.
- (3) Mr. Bordessa and Ms. Shmitt resigned from their Director roles during 2023.

### ***II. Incentive Based Awards***

#### **Outstanding Share-Based Awards**

The following table sets forth details of all awards outstanding for each independent director of the Corporation as of the most recent financial year end, including awards granted before the most recently completed financial year.

<b>Name of Director</b>	<b>Share-Based Awards</b>		
	<b>Number of Shares or Units of Shares that have not vested (#)</b>	<b>Market or Payout Value of Share-Based Awards that have not vested (\$)</b>	<b>Market or payout value of vested share-based awards not paid out or distributed <sup>(1)</sup> (\$)</b>
Simon P.D. Batcup	nil	nil	104,826
Michael R. Binnion	nil	nil	603,280

	Share-Based Awards		
	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed <sup>(1)</sup> (\$)
<b>Name of Director</b>			
Daniel J. Bordessa <sup>(2)</sup>	nil	nil	nil
Joe Oliver	nil	nil	224,288
Ember W.M. Shmitt <sup>(2)</sup>	nil	nil	nil
Douglas J. Strong	nil	nil	99,997

Notes:

- (1) The total value of High Arctic DSUs that had vested as at December 31, 2023 based on \$1.10, the closing price of the Common shares of the Corporation on the TSX, on December 29, 2023.
- (2) Mr. Bordessa and Ms. Shmitt resigned from their Director roles during 2023.

### Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of share-based awards which vested or were earned during the most recently completed financial year for independent directors of the Corporation.

<b>Name of Director</b>	Share-Based Awards - Value vested during the year <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
Simon P.D. Batcup	Nil	Nil
Michael R. Binnion	Nil	Nil
Daniel J. Bordessa <sup>(2)</sup>	Nil	Nil
Joe Oliver	Nil	Nil
Ember W.M. Shmitt <sup>(2)</sup>	Nil	Nil
Douglas J. Strong	Nil	Nil

Notes:

- (1) The total value of High Arctic DSUs that had vested as at December 31, 2023 based on \$1.10, the closing price of the Common shares of the Corporation on the TSX, on December 29, 2023.
- (2) Mr. Bordessa and Ms. Shmitt resigned from their Director roles during 2023.

The significant terms of the High Arctic DSU Plan are disclosed in this Circular under “*Long-term Equity Incentive Plans.*”

### III. Other Compensation

Other than as set forth herein, the Corporation did not pay any other compensation to directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full-time employees) during the last completed financial year other than benefits and perquisites which did not amount to \$10,000 or greater per individual.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth securities of the Corporation that are authorized for issuance under equity compensation plans as at December 31, 2023 (the Corporation’s most recently completed financial year).

Plan Category	Number of securities to be issued upon exercise or release of outstanding options and awards	Weighted average exercise price of outstanding options and awards	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column 1) <sup>(1)</sup>
Equity compensation plans approved by security holders	<p>117,000 Common Shares under the Option Plan (0.24% of the issued and outstanding shares)</p> <p>320,597 Common Shares under the High Arctic PSU Plan (0.65% of the issued and outstanding shares)</p> <p>938,536 Common Shares under the High Arctic DSU Plan (1.91% of the issued and outstanding shares)</p>	<p>\$1.39 per Common Share</p> <p>N/A</p> <p>N/A</p>	<p>1,495,230 Common Shares (3.04% of the issued and outstanding shares)</p> <p>1,479,403 Common Shares (3.01% of the issued and outstanding shares)</p> <p>561,464 Common Shares (1.15% of the issued and outstanding shares)</p>
Equity compensation plans not approved by security holders	Nil	Nil	Nil
<b>Total</b>	1,376,133 Common Shares (2.80 % of the issued and outstanding shares)	\$1.39 per Common Share	3,536,097 Common Shares (7.20% of the issued and outstanding shares)

Notes:

- (1) The total number of securities remaining available for future issuance under equity compensation plans is calculated as 10% of the issued and outstanding Common Shares at December 31, 2023, less the outstanding High Arctic Options, Units and High Arctic DSUs. Units and High Arctic DSUs available are based on reserve limits set with the TSX.

## AUDIT COMMITTEE DISCLOSURE

### Audit Committee Charter

A copy of the Corporation's Audit Committee Charter can be found in on the Corporation's profile on SEDAR+.

### Audit Committee Composition

The Audit Committee currently has 3 members: Douglas Strong, Michael Binnion and Joe Oliver. None of the Audit Committee members has a direct or indirect material relationship with the Corporation. Furthermore, each member of the Audit Committee has been determined by the Board to be "independent" as defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). The Audit Committee members are all financially literate, meaning the member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can be expected to be raised by the Corporation's financial statements.

### Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee.

#### ***Douglas J. Strong – Chair***

Mr. Strong joined the board in December 2018. Mr. Strong has 37 years of experience having been with Precision Drilling 21 years in a number of senior financial and operational roles, including Chief Financial Officer from 2005 to 2010 and most recently as President of Completion & Production Services responsible for service rigs and snubbing in Canada and the US. Prior to that his experience includes financial roles with Nabors Industries

associated with international land contract drilling outside North America. Mr. Strong began his career with Collins Barrow in Calgary, Alberta in 1980 and holds a Bachelor of Commerce degree from the University of Calgary and is a Chartered Accountant and CPA.

### **Michael Binnion**

Mr. Binnion is the Chairman of the Board of the Corporation. He is also President and Chief Executive Officer of Questerre Energy Corporation, a position held since November 2000. Mr. Binnion is a seasoned entrepreneur with a history of starting, financing and managing companies and not-for-profits. He has extensive experience as a board member for several high-tech companies in Canada. Additionally, he is the Executive Director of Rupert's Crossing Ltd, a private merchant banking firm. Mr. Binnion is Chairman of the Manning Foundation and is founder and Chairman of the Modern Miracle Network, an organization of Canadians wanting adult conversations about the benefits and impacts of energy use. He is the founder and Chairman of the Sage Roots Foundation, seeking to end on-reserve poverty by reconciling traditional native knowledge, excellence in environmental stewardship, and entrepreneurship. He is the founder and chairman of the Lesley Binnion Foundation for Disabled Sports. Mr. Binnion is a Chartered Accountant and holds a Bachelor's degree in Commerce and Finance from the University of Alberta.

### **Joe Oliver**

Mr. Oliver joined the Board in June of 2016. Mr. Oliver is the former Canadian Minister of Natural Resources and Minister of Finance (2011–2015). He is currently the Chair of the Ontario Independent Electricity System Operator (IESO). Previously, Mr. Oliver served as Executive Director of the Ontario Securities Commission and as the President and CEO of the Investment Dealers Association of Canada. He received a Bachelor of Arts degree and a Bachelor of Civil Law degree from McGill University and an MBA from the Harvard Business School.

### **Audit Committee Oversight**

At no time since the commencement of the Corporation's financial year ended December 31, 2023, was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the High Arctic Board.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's financial year ended December 31, 2023, has the Corporation relied on the exemption from NI 52-110, including Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption granted under Part 8 of NI 52-110.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as outlined in section 4(24) of the Audit Committee Terms of Reference.

### **External Auditor Service Fees**

The aggregate fees billed by the Corporation's external auditors in each of the two fiscal years noted below for audit and other fees are as follows:

Type of Work	2023 Fees	2022 Fees
Audit fees <sup>(1)(2)</sup> (Canada)	\$681,269	\$395,900
Audit fees <sup>(1)</sup> (foreign subsidiaries)	\$424,220	\$151,770
Tax fees <sup>(3)</sup>	\$77,781	\$74,595
<b>Total</b>	<b>\$1,183,270</b>	<b>\$622,265</b>

Notes:

- (1) Audit fees consist of fees for the audit of the Corporation's annual financial statements of the parent company and all relevant subsidiaries, the review of the Corporation's interim financial statements and services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) All non-audit services, including tax filing, are disclosed to and pre-approved by the Audit Committee.

## CORPORATE GOVERNANCE DISCLOSURE

The Board of Directors of the Corporation is responsible for all corporate governance matters relating to the Corporation. Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders and takes into account the role of the individual members of management who are appointed by the Board of Directors and who are charged with the day-to-day management of the Corporation. The Board of Directors is committed to sound corporate governance practices, which are in the interest of its shareholders and contribute to effective and efficient decision making.

National Instrument 58-101 - Disclosure of Corporation Governance Practices (“**NI 58-101**”) requires an issuer that solicits proxies from its security holders for the purpose of electing directors to include certain prescribed disclosure respecting corporate governance matters in its information circular. The prescribed corporate governance disclosure is set out below.

### Board of Directors

As of December 31, 2023, the Board of Directors was composed of four (4) members, all of whom are independent directors based upon the Board's assessment of the meaning of independence provided in NI 58-101.

During 2023 and year to date 2024, the directors held no formal meetings where members of management were not in attendance. The Board ensures open and candid discussion among its directors by continuously monitoring situations where a conflict of interest or perceived conflict of interest with respect to a director may exist. In cases where such a conflict of interest or perceived conflict of interest is identified, it is addressed in accordance with the ABCA. The Board may determine that it is appropriate to hold an *in camera* session excluding a director with a conflict of interest or perceived conflict of interest or such director may consider that it is appropriate to recuse himself/herself from considering and voting with respect to the matter under consideration.

Michael R. Binnion is the current Chairman of the Board. In accordance with the mandate of the Chairman, the Chairman presides at all meetings of the Board of Directors and, unless otherwise determined and at all meetings of shareholders. The Chairman's primary role is managing the affairs of the Board, including ensuring the Board is organized properly, functions effectively and meets its obligations and responsibilities, including general governance standards.

Among other things, the Chairman is to ensure corporate strategy, annual operating plans and performance reports are presented to the Board, ensure the CEO presents management development and succession plans at least annually and implements them and foster a constructive and harmonious relationship between the Board and management.

The following table sets forth: (i) the name of each reporting issuer, other than the Corporation, of which a director of the Corporation is also a director; and (ii) the attendance record for each director for all meetings of the Board of Directors for 2022, 2023, and 2024.

Name of Director	Other Reporting Issuers	Attendance Record at the Corporation's 2022, 2023 and 2024 Board Meetings
Simon P. D. Batcup	None	7 of 7 meetings in 2022 6 of 6 meetings in 2023 1 of 1 meeting in 2024
Michael R. Binnion	Questerre Energy Corporation Huntington Exploration Inc.	7 of 7 meetings in 2022 6 of 6 meetings in 2023 1 of 1 meeting in 2024
Daniel J. Bordessa	None	7 of 7 meetings in 2022 4 of 4 meetings in 2023 <sup>(1)</sup>
Joe Oliver	Firm Capital Mortgage Investment Corporation	7 of 7 meetings in 2022 6 of 6 meetings in 2023 1 of 1 meeting in 2024
Ember Shmitt	None	6 of 7 meetings in 2022 3 of 3 meetings in 2023 <sup>(2)</sup>
Douglas J. Strong	None	7 of 7 meetings in 2022

Name of Director	Other Reporting Issuers	Attendance Record at the Corporation's 2022, 2023 and 2024 Board Meetings
		6 of 6 meetings in 2023 1 of 1 meeting in 2024

Notes:

- (1) Mr. Bordessa resigned as a Director in 2023.
- (2) Ms. Shmitt resigned as a Director in 2023.

## Board Mandate

The principal mandate of the Board of Directors is to oversee the management of the business and affairs of the Corporation and monitor the performance of management. The complete text of the Mandate of the Board of Directors can be found on the Corporation's profile on SEDAR+.

## Position Descriptions

The Board of Directors have developed a written position description for the Chair.

The Board of Directors and the Chief Executive Officer have developed a written position description for the Chief Executive Officer. The Board of Directors currently sets the annual objectives of the Corporation, which become the objectives against which the Chief Executive Officer's performance is measured.

The Board of Directors have adopted written terms of reference for each of the Board committees, clearly delineating the roles and responsibilities attributed to each.

## Orientation and Continuing Education

The Corporation has a formal orientation and training program in place. New members of the Board of Directors receive an information package and must attend a formal orientation session presented by the officers of the Corporation. All members of the Board of Directors are allowed unrestricted direct access to any of the senior management of the Corporation and their staff.

The Governance and Nominating Committee reviews and provides ongoing guidance to management to ensure that an appropriate orientation and continuing education program for individual members of the Board of Directors, the Board as a whole, and new members of the Board of Directors is established and maintained. The Governance and Nominating Committee is also responsible for monitoring changes to applicable laws, regulations, and industry practices in regard to corporate governance and ensures that the Board of Directors are kept informed of relevant aspects thereof.

## Code of Business Ethics and Conduct

The Board of Directors has adopted a written code of business conduct. The code of business conduct was reviewed, updated and approved by the Board in May 2023 and incorporates 17 governance standards. The code of business conduct reflects the Corporation's commitment to maintain high standards of integrity and accountability in conducting its business while at the same time growing its business and value.

The code of business conduct requires directors and officers to disclose any potential conflicts of interest in writing to the Board of Directors for review in accordance with applicable law and in any event, on an annual basis.

The Board of Directors monitors and ensures compliance with the guidelines set out in the code of business conduct including compliance in all material respects, with all applicable financial reporting and accounting requirements applicable to the Corporation. Any concerns or complaints in this regard may be reported in accordance with the procedures outlined in the Corporation's Whistleblower Standard. The Whistleblower procedures by which representatives may make confidential and anonymous submissions regarding unethical or illegal behaviour, or questionable accounting, internal accounting controls or auditing related matters involving the Corporation and non-compliance with the code of business conduct are made available to all employees. An independent hotline complete with the ability to report via telephone or online is in place to maintain complete anonymity.



Waivers from the code of business conduct will generally only be granted in appropriate circumstances upon full review and consideration of a request from a waiver, on a case-by-case basis. Waivers granted for the benefit of senior officers or directors require approval from the Governance and Nominating Committee, which should ascertain whether a waiver is appropriate and seek to ensure that the waiver is accompanied by appropriate controls designed to protect the Corporation's interests.

Certain of the directors of the Corporation may also be directors and officers of other oil and gas companies and oilfield service companies, and conflicts of interest may arise between their duties.

Such conflicts must be disclosed in accordance with, and are subject to, such other procedures and remedies as applicable under the ABCA.

### **Nomination of Directors**

The Board of Directors has formed the Governance and Nominating Committee and recognize that proper and effective corporate governance is a significant concern and a priority for investors and other stakeholders, and, accordingly, the Board of Directors have instituted a number of procedures and policies to improve the overall governance of the Corporation. The current members of the Governance and Nominating Committee are Simon Batcup (Chair), Douglas Strong, and Michael Binnion.

The Governance and Nominating Committee assists the Board of Directors with the nomination of directors of the Corporation. The Governance and Nominating Committee follows written guidelines with respect to identifying, recruiting, appointing, re-appointing and providing ongoing development for members of the Board of Directors. The Governance and Nominating Committee assesses potential candidates in relation to the competencies and skills necessary for the proper functioning of the Board of Directors.

The Governance and Nominating Committee annually assesses the size, structure and composition of the Board of Directors, taking into consideration the current strengths, skills and experience of the Board of Directors, proposed retirements and the requirements and strategic direction of the Corporation. As required, the Governance and Nominating Committee also develops and approves director eligibility criteria and recommends suitable candidates to the Board of Directors for consideration for the appointment to the office of Chair, as well as members of the Board of Directors.

The Governance and Nominating Committee annually assesses individual director performance and the evaluation of the performance of the Board of Directors as a whole, including their processes and effectiveness and what competencies and skills each existing director possesses.

The Governance and Nominating Committee operates under a written "Governance and Nominating Committee Terms of Reference" that details its composition, its duties and its reporting responsibilities which includes:

- (a) monitoring the appropriateness of the Corporation's governance systems with regard to external governance standards, "best practices" guidelines and with an emphasis on "ongoing improvements";
- (b) oversee the Corporation's environmental, social and governance ("ESG") framework;
- (c) reviewing the makeup and needs of the Board of Directors and developing criteria for adding new directors to the Board of Directors; and
- (d) evaluating and assessing the effectiveness of the Board of Directors, and its committees in meeting governance objectives and each individual's own contributions.

The Governance and Nominating Committee Terms of Reference are published on the Corporation's website.

### **Compensation**

The Remuneration Committee is charged with reviewing and making recommendations to the Board in respect of the compensation matters relating to the Corporation's executive officers, employees and directors. As a part of this process, compensation levels are set by reviewing compensation paid for directors and officers of companies of similar size and stage of development. For more information regarding the Remuneration Committee including a complete description of the Remuneration Committee's primary duties and responsibilities see the "Statement of

*Executive Compensation for High Arctic - Role and Composition of the Remuneration Committee*" section of this Circular.

## **Other Board Committees**

The Corporation has established an Audit Committee (as described in the AIF dated March 27, 2023 for the year ended December 31, 2022, as amended by the AIF dated as of November 6, 2023, filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca)), a Remuneration Committee (discussed previously), a Governance and Nominating Committee (discussed previously), and a Quality, Health, Safety and Environmental Committee to assist the Corporation and its subsidiaries in effectively carrying out its responsibilities. The Corporation also established a Mergers and Acquisitions Committee in 2019 and an Executive Committee in 2020, which were combined in 2021 into the Executive Committee.

### *Quality, Health, Safety and Environmental Committee*

The Quality, Health, Safety and Environmental Committee is responsible for monitoring and making recommendations with respect to the quality, health, safety and environmental policies, practices and procedures of the Corporation and its subsidiaries. The Quality, Health, Safety and Environmental Committee operates under a written "Quality, Health, Safety and Environmental Committee Terms of Reference" that details its composition, its duties, and its reporting. The current members of the Quality, Health, Safety and Environmental Committee are Simon Batcup (Chair) and Douglas Strong. The Quality, Health, Safety and Environmental Committee Terms of Reference are published on the Corporation's website.

### *Executive Committee*

Consistent with the Corporation's strategy to preserve a strong financial position, the Executive Committee oversees and reviews management's measures to sustain safe, quality-based customer service, financial liquidity and stakeholder communication. The committee reviews and oversees significant investing and divesting matters being considered by management and the use of the Corporation's capital.

The current members of the Executive Committee are all four (4) of the current Directors.

## **Assessments**

Ensuring the effectiveness of the Board of Directors, its committees and individual directors is assigned to the Governance and Nominating Committee. The Governance and Nominating Committee annually reviews the mandate of the Board of Directors and the fulfilment of such mandate.

## **Director Term Limits and Other Mechanisms of Board Renewal**

The Board believes that issues relating to board effectiveness, board renewal and board succession planning are best addressed by a strong chair, a thoughtful governance committee and independent-thinking board members. The Board is responsible for recommending to shareholders from time-to-time candidates for election to the Board that together contribute the right mix of skills and expertise to the Board. To assist in making those recommendations, the Board periodically conducts both formal and informal reviews of the effectiveness of the Board and individual Board members.

The Board is concerned that imposing arbitrary and inflexible director term limits may result in High Arctic losing valued directors at a time when High Arctic most needs their skills, qualities, and contributions, as well as their knowledge of the history and culture of the organization. Mandatory retirement ages pose the same risk and the Board does not want to risk the loss of key directors to retirement policies that seem unnecessarily arbitrary and inflexible when they force a high performing director off the Board. As a result the Board does not feel that it would be appropriate to set term limits for its directors but rather relies on the experience of its members to determine when Board renewals, Board removals and Board additions are appropriate.

## **Policies Regarding the Representation of Women on the Board**

The Board supports the objectives of increasing diversity on boards of directors and at the executive levels of issuers and recognizes that diversity provides a depth and breadth of viewpoints and perspectives. However, the Board has not adopted a written policy relating to the identification and nomination of female directors nor does it have targets regarding the number of women on the Board.

The Board and the Governance and Nominating Committee believes that director nominations should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements of the Board at the time.

The Corporation is committed to a meritocracy and believes that considering the broadest group of individuals with the skills, knowledge, experience and character required to provide the leadership needed to achieve its business objectives is in the best interests of the Corporation and its stakeholders, without reference to their age, gender, race, ethnicity or religion.

Accordingly, a formal written policy has not been adopted as the Board and the Governance and Nominating Committee are committed to a merit and qualifications-based method of selecting directors and believes that imposing quotas or targets would compromise its principle-based candidate selection system.

## **Consideration of the Representation of Women in the Director Identification and Selection Process**

The Governance and Nominating Committee and the Board go through a rigorous process when considering a nominee director including an evaluation of the skills and experience of the current directors, determining the gaps in skills and experience that exist and finding potential candidates to fill those gaps and round out the skills and experience of the Board of Directors as a whole. While gender has factored into recent director searches, the final recommendation for nomination has been based on the best combination of skills and experience for the position without placing a specific emphasis on gender as a factor.

## **Consideration given to the Representation of Women in Executive Officer Appointments**

The Board does not specifically consider the level of female representation in executive officer positions when making such appointments nor does it have targets in respect of appointing women to these positions. Similar to the Board's approach in considering director nominations, in making appointments to executive officer positions, the Board considers each candidate's experience, knowledge, education, management capabilities and competency, as well as the effect of the appointment on the diversity of the Corporation's executive officers as a whole.

## **Corporation's Targets Regarding the Representation of Women on the Board and in Executive Officer Positions**

The Board does not have specific targets in respect of appointing women to executive officer appointments, as a result of its commitment to a principle-based selection process, as discussed above.

## **Number of Women on the Board and in Executive Officer Positions**

Presently, there are no women (nil%) serving on the Board and no women in executive officer positions (nil%). There are four women (31%) in senior management and head of department roles.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

High Arctic is not aware of any individuals who are, or who at any time during the most recently completed financial year were, a director or executive officer of High Arctic, a proposed nominee for election as a director of the Corporation, or an associate of any of those directors, executive officers or proposed nominees, who are, or have been at any time since the beginning of the most recently completed financial year of High Arctic, indebted to High Arctic or any of its subsidiaries or whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year of High Arctic has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by High Arctic or any of its subsidiaries.

## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Other than as set forth in this Circular, none of High Arctic's directors or executive officers, nor any person who has held such a position since the beginning of our last completed financial year, nor any of their respective associates or affiliates, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as set forth herein, or as previously disclosed, no informed person of High Arctic, or any associate or affiliate of any informed person, has had any material interest in any transaction, or proposed transaction, which has materially affected or would materially affect High Arctic or any of its subsidiaries since the commencement of the most recently completed financial year of High Arctic.

## **INTEREST OF EXPERTS**

Other than as set forth elsewhere herein (including the Appendices hereto and the documents incorporated by reference therein) and below, there is no person or company who is named as having prepared or certified a report, valuation, statement or opinion described, included or incorporated by reference herein and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company, other than DLA Piper (Canada) LLP. Certain legal matters in connection with the Arrangement have been passed upon on behalf of High Arctic by DLA Piper (Canada) LLP. As at the date hereof, the partners and associates at DLA Piper (Canada) LLP, as a group, beneficially owned, directly or indirectly, less than one percent (1%) of the outstanding High Arctic Common Shares.

KPMG LLP are the auditors of High Arctic and SpinCo and have confirmed that they are independent with respect to High Arctic and SpinCo within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

## **ADDITIONAL INFORMATION**

### **Other Material Facts**

High Arctic is not aware of any material facts concerning the securities of High Arctic or any other matter not described in this Circular that has not been previously disclosed and is known to High Arctic but which would reasonably be expected to affect the decision of the Shareholders with respect to the matters to be voted upon at the Meeting.

### **Additional Information**

Additional information relating to the Corporation is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Financial information of the Corporation's most recently completed financial year is provided in the Corporation's audited consolidated financial statements and management discussion and analysis available on SEDAR+ and at [www.haes.ca](http://www.haes.ca). Shareholders may contact the Corporation at 2350, 330 – 5<sup>th</sup> Ave S.W., Calgary, Alberta, T2P 0L4, Attn: Interim Chief Financial Officer (587) 318-2218 to obtain a copy of the Corporation's most recent financial statements and management discussion and analysis.

### **Other Matters**

Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters which are not known to management shall properly come before the said Meeting, the form of proxy given pursuant to the solicitation by management will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

**APPENDIX "A"**  
**Arrangement Resolution**

RESOLUTIONS OF THE HOLDERS OF COMMON SHARES  
OF HIGH ARCTIC ENERGY SERVICES INC.

BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. The arrangement (the "**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") involving High Arctic Energy Services Inc. (the "**Corporation**"), all as more particularly described and set forth in Information Circular (the "**Circular**") of the Corporation dated May 9, 2024, accompanying the notice of the meeting (as the Arrangement may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
2. The plan of arrangement (the "**Plan of Arrangement**") of the Corporation implementing the Arrangement, the full text of which is set out in Schedule "A" of Appendix "B" to the Circular (as the Plan of Arrangement may be, or may have been, modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
3. The arrangement agreement (the "**Arrangement Agreement**") between the Corporation and SpinCo, dated May 9, 2024, attached as Appendix "B" to the Circular accompanying the notice of meeting and all the transactions contemplated therein, the actions of the directors of the Corporation in approving the Arrangement and the actions of the directors and officers of the Corporation in executing and delivering the Arrangement Agreement and any amendments thereto are hereby confirmed, ratified and approved.
4. Notwithstanding that this resolution has been passed (and the Arrangement approved) by the shareholders of the Corporation or that the Arrangement has been approved by the Court of King's Bench of Alberta, the directors of the Corporation are hereby authorized and empowered, without further notice to, or approval of, the securityholders of the Corporation:
  - (a) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; and
  - (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any officer or director of the Corporation is hereby authorized and directed for and on behalf of the Corporation to execute, under the seal of the Corporation or otherwise, and to deliver articles of arrangement and/or such other documents as are necessary or desirable to the Registrar of Corporations under the ABCA in accordance with the Arrangement Agreement for filing and to take all such other steps or actions as may be necessary or desirable in connection with the Arrangement and the transactions described in the Circular and to execute under the seal of the Corporation or otherwise, all such other certificates, instruments, agreements, documents and notices, and to take such further actions in such officer's or director's opinion as may be necessary or desirable to carry out the purposes and intent of the foregoing resolutions.

**APPENDIX "B"**  
**Arrangement Agreement**

**ARRANGEMENT AGREEMENT**

**HIGH ARCTIC ENERGY SERVICES INC.**

and

**HIGH ARCTIC OVERSEAS HOLDINGS CORP.**

Dated as of May 9, 2024

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## ARRANGEMENT AGREEMENT

**THIS AGREEMENT** is made as of the 9<sup>th</sup> day of May, 2024.

### AMONG:

**HIGH ARCTIC ENERGY SERVICES INC.**, a corporation amalgamated under the laws of the Province of Alberta ("**High Arctic**" or the "**Corporation**")

- and -

**HIGH ARCTIC OVERSEAS HOLDINGS CORP.**, a corporation incorporated under the laws of the Province of Alberta ("**SpinCo**")

**WHEREAS** High Arctic and SpinCo have agreed to proceed with a proposed transaction by way of Plan of Arrangement (as hereinafter defined) whereby, among other things, High Arctic will transfer all of its shares in HAES Cyprus (as hereinafter defined) to SpinCo, High Arctic will create the New High Arctic Common Shares (as hereinafter defined) and amend the High Arctic Common Shares (as hereinafter defined), and each shareholder of High Arctic will exchange its High Arctic Common Shares for New High Arctic Common Shares and SpinCo Common Shares (as hereinafter defined) on the Effective Date (as hereinafter defined);

**WHEREAS** the High Arctic Board has unanimously determined, after consultation with its legal and financial advisors and having received the Fairness Opinion (as hereinafter defined), that the Arrangement (as hereinafter defined) is in the best interests of High Arctic and that the consideration to be received by the High Arctic Shareholders (as hereinafter defined) pursuant to the Arrangement is fair, from a financial point of view, to the High Arctic Shareholders;

**WHEREAS** the High Arctic Board has approved the transactions contemplated by this Agreement and unanimously determined to recommend approval of the Arrangement pursuant to the Plan of Arrangement to the High Arctic Shareholders;

**WHEREAS** in furtherance of the transactions contemplated by this Agreement and the Plan of Arrangement, the High Arctic Board has agreed to submit the Plan of Arrangement to the High Arctic Shareholders and the Court (as hereinafter defined) for approval in accordance with the terms and conditions of this Agreement;

**NOW THEREFORE THIS AGREEMENT WITNESSES** that, in consideration of the premises and the respective covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by High Arctic and SpinCo, the parties hereto hereby covenant and agree as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 Definitions

In this Agreement, including the recitals hereto:

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

"**Affiliate**" means, in respect of any Person, another Person if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is Controlled by the same Person;

**"Agreement"** means this arrangement agreement, including its recitals and Schedule "A", as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof;

**"Applicable Law"** means: (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty; and (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law;

**"Arrangement"** means the arrangement under Section 193 of the ABCA on the terms and subject to the conditions set forth in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with this Agreement or the Plan of Arrangement, or made at the direction of the Court in the Final Order;

**"Arrangement Resolution"** means the special resolution of the High Arctic Shareholders approving the Arrangement in accordance with the Interim Order;

**"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;

**"Board"** means the board of directors of the Corporation;

**"Business Day"** means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta under the laws of the Province of Alberta or the federal laws of Canada;

**"Canadian Business"** means, except as specified below, all of the businesses carried on by High Arctic and its Affiliates, including its interests and business operations in western Canada, and further including all the assets and liabilities pertaining to the foregoing or otherwise held by any of them immediately prior to the Effective Time (including workforce and working capital); provided, however, that the term **"Canadian Business"** shall not include the PNG Business or any portion thereof;

**"Certificate of Arrangement"** means the certificate of arrangement or proof of filing to be issued by the Registrar, pursuant to subsection 193(11) or subsection 193(12) in respect of the Articles of Arrangement and giving effect to the Arrangement;

**"Circular"** means the management information circular of High Arctic, together with all appendices thereto, to be sent to High Arctic Shareholders in connection with the Meeting;

**"Closing"** means the completion of the transactions contemplated by this Agreement;

**"Compensation Plan Resolution"** means the ordinary resolution of High Arctic Shareholders approving the accelerated redemption of all outstanding units under the High Arctic DSU Plan;

**"Confidential Information"** means all data, documents and other information regarding the assets, liabilities, business or operations, or financial or tax affairs, of a Party (including information transmitted in written, electronic, magnetic or other form, information transmitted orally and information gathered by a Party through visual inspections or observation or by any other means) which information, by its nature, or by the nature of the circumstances surrounding its disclosure,

ought in good faith to be treated as confidential (including the confidential information of third parties), whether or not such information is explicitly designated as being confidential;

**"Control"** means, when applied to a relationship between two Persons, that a Person (the **"first Person"**) is considered to control another Person (the **"second Person"**) if:

- (a) the first Person, directly or indirectly, beneficially owns or exercises control or direction over securities, interests or contractual rights of the second Person carrying votes which, if exercised, would entitle the first Person to elect a majority of the directors of the second Person, or a majority of any other Persons who have the right to manage or supervise the management of the business and affairs of the second Person, unless that first Person holds the voting securities only to secure a debt or similar obligation;
- (b) the second Person is a partnership, other than a limited partnership, and the first Person, together with any Person Controlled by the first Person, holds more than 50% of the interests (measured by votes or by value) of the partnership; or
- (c) the second Person is a limited partnership and the general partner of the limited partnership is the first Person or any Person Controlled by the first Person,

and the term "Controlled" has a corresponding meaning;

**"Court"** means the Court of King's Bench of Alberta;

**"Dissent Rights"** means the right of a High Arctic Shareholder to dissent in respect of the Arrangement pursuant to the procedures set forth in Section 191 of the ABCA, as modified by Article 3 of the Plan of Arrangement, the Interim Order and any other order of the Court;

**"Distribution Securities"** has the meaning attributed to such term in Section 2.7;

**"Effective Date"** means the date shown on the confirmation of filing to be issued under the ABCA giving effect to the Arrangement, which date shall be determined in accordance with the terms hereof;

**"Effective Time"** means the time at which the steps to complete the Arrangement will commence, which will be 12:01 a.m. (Calgary time) on the Effective Date, subject to any amendment or variation in accordance with the terms hereof;

**"Encumbrance"** means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, adverse claim or right of any third party to acquire or restrict the use of property;

**"Fairness Opinion"** means the opinion of Lightyear Capital Inc. delivered to the Board to the effect that, as of the date of such opinion, and subject to the assumptions, limitations and qualifications contained therein, the consideration to be received by High Arctic Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the High Arctic Shareholders;

**"Final Order"** means the final order of the Court approving the Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal;

**"Governmental Authority"** means any: (a) multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, commission, board or agency, domestic or foreign; or (b) regulatory authority, including any securities commission or stock exchange;

**“HAES Cyprus”** means High Arctic Energy Services Cyprus Limited;

**“HAES Cyprus Shares”** means the common shares in the capital of HAES Cyprus;

**“HAES Information”** means any Confidential Information that relates solely to the Canadian Business or High Arctic, or any other Person that operates a portion of such business, and prior to the Effective Date, the SpinCo Information.

**“High Arctic Class A Shares”** means the amended and redesignated High Arctic Common Shares as described in Section 3.1(b)(i) of the Plan of Arrangement;

**“High Arctic Common Shares”** means the currently existing common shares in the capital of High Arctic which High Arctic is authorized to issue as the same are constituted on the date hereof;

**“High Arctic DSU Plan”** means the deferred share unit plan of High Arctic;

**“High Arctic Equity Compensation Plans”** means, collectively, the High Arctic Stock Option Plan, the High Arctic PSU Plan, and the High Arctic DSU Plan;

**“High Arctic PSU Plan”** means the performance share unit plan of High Arctic;

**“High Arctic Shareholder”** means a holder of High Arctic Common Shares;

**“High Arctic Stock Option Plan”** means the stock option plan of High Arctic;

**“IFRS”** means International Financial Reporting Standards, as incorporated in the Handbook of the Canadian Institute of Chartered Accounts at the relevant time applied on a consistent basis;

**“Interim Order”** means the interim order of the Court concerning the Arrangement and containing declarations and directions with respect to, among other things, the Arrangement and the holding of the Meeting, as such order may be amended or varied by the Court;

**“Material Adverse Effect”** means, with respect to a Party, any fact or state of facts, circumstance, change, occurrence, event or effect that individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, prospects, assets, properties, capitalization, condition (financial or otherwise), liabilities (contingent or otherwise), cash flows or value of a Party, other than a fact or state of facts, circumstance, change, occurrence, event or effect relating to or resulting from: (a) any matter which has, prior to the date hereof, been publicly disclosed in a Party’s public disclosure record (if applicable); (b) conditions affecting the oil and gas services industry as a whole; (c) general economic, financial, currency exchange, securities, credit or commodity market conditions in Canada, United States of America or elsewhere; (d) the announcement of the execution of this Agreement or the transactions contemplated hereby; (e) any change in Applicable Laws or IFRS; (f) any action or inaction taken by a Party that is consented to by the other Party in this Agreement or expressly in writing; or (g) in the case of High Arctic, any changes in the trading price or trading volumes of High Arctic Common Shares (provided, in the case of (b) and (c), such effect relating to or resulting from the foregoing does not have a disproportionate Material Adverse Effect on the business, operations, results of operations, assets, properties, capitalization, condition (financial or otherwise), liabilities (contingent or otherwise) or cash flows of a Party, as compared to the corresponding effect on Persons engaged in the oil and gas services industry generally);

**“Meeting”** means the annual general and special meeting of High Arctic Shareholders (including any adjournment or postponement thereof) to be called and held in accordance with the Interim Order to consider and, if deemed advisable, among other items of business, to approve the

Arrangement Resolution, the SpinCo Equity Compensation Plan Resolution and the Return of Capital Resolution;

**"Meeting Materials"** means the Circular and the accompanying form of proxy and/or voting instruction form to be sent to the High Arctic Shareholders in respect of the Meeting;

**"misrepresentation"** has the meaning attributed to such term in the Securities Act;

**"New High Arctic Common Shares"** means the new class of common shares in the capital of High Arctic to be created pursuant to Section 3.1(b)(ii) of the Plan of Arrangement, and for which the High Arctic Class A Shares are, in part, to be exchanged under Section 3.1(e) of the Plan of Arrangement and which, immediately after the completion of the transactions comprising the Plan of Arrangement, will be identical in every relevant respect to the High Arctic Common Shares, and will have the rights, privileges, restrictions and conditions set out in Appendix "B" to the Plan of Arrangement;

**"Party"** means a party to this Agreement;

**"Person"** means and includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited liability corporation, trustee, executor, administrator, legal representative, government (including any governmental authority) or any other entity, whether or not having legal status, except that, where High Arctic Common Shares are held by a trustee under a bare trust arrangement, the beneficiary and not the trustee shall be regarded as the holder of such High Arctic Common Shares and any property substituted therefor;

**"Plan of Arrangement"** means the plan of arrangement, including its Appendices, as it may be amended, modified or supplemented from time to time in accordance with the terms thereof, in substantially the form set out as Schedule "A" to this Agreement;

**"PNG Business"** means all of the businesses carried on by High Arctic and its Affiliates in Papua New Guinea and includes all the assets and liabilities pertaining to the foregoing or otherwise held by any of them immediately prior to the Effective Time (including workforce and working capital).

**"Registrar"** means the Registrar of Corporations for the Province of Alberta duly appointed under the ABCA;

**"Representatives"** means, collectively, the current and future directors, officers, employees, agents and advisors of a Party and their respective heirs, executors, administrators, successors and assigns;

**"Restricted Information"** means, with respect to High Arctic, the HAES Information and, with respect to SpinCo, from and after the Effective Date, the SpinCo Information and, for greater certainty, shall include any Restricted Information of a Party provided to the other Party pursuant to this Agreement or the transactions or other agreements contemplated herein;

**"Return of Capital"** means the reduction of the stated capital account maintained by High Arctic in respect of the High Arctic Common Shares pursuant to paragraph 38(1)(b) of the ABCA by an amount to be determined by the High Arctic Board not exceeding \$0.76 multiplied by the number of High Arctic Common Shares issued and outstanding at the time the Board makes such

determination, for the purpose of permitting a special distribution to be made to High Arctic Shareholders of up to \$0.76 per High Arctic Common Share as a return of capital;

**“Return of Capital Resolution”** means the special resolution of High Arctic Shareholders approving the Return of Capital to be considered at the Meeting;

**“Securities Act”** means the *Securities Act* (Alberta), as amended, including the regulations promulgated thereunder;

**“Shared Information”** means any Confidential Information, except for HAES Information and SpinCo Information, that has been shared or has been exchanged between High Arctic and SpinCo (or their respective Affiliates) at or prior to the Effective Time;

**“SpinCo”** means High Arctic Overseas Holdings Corp., a corporation incorporated under the ABCA;

**“SpinCo Common Shares”** means the common shares in the capital of SpinCo;

**“SpinCo Equity Incentive Plan”** means the omnibus equity incentive plan of SpinCo, to be adopted prior to the Effective Date.

**“SpinCo Equity Incentive Plan Resolution”** means the ordinary resolution of High Arctic Shareholders approving the SpinCo Equity Incentive Plan to be considered at the Meeting;

**“SpinCo Information”** means any Confidential Information that relates solely to the PNG Business, or any other Person that operates a portion of such business;

**“Subsidiary”** means, at any particular time, a Person controlled, directly or indirectly, by High Arctic or SpinCo, as applicable;

**“Tax”** or **“Taxes”** includes all taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges of any nature imposed by any Governmental Authority (including, without limitation, income, capital (including large corporations), withholding, consumption, sales, use, transfer, goods and services or other value-added, excise, customs, net worth, stamp, registration, franchise, payroll, employment, Canada Pension Plan contributions, Employment Insurance premiums, health, education, business, school, property, local improvement, development, education, development and occupation taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and charges), together with all fines, interest, penalties on or in respect of, or in lieu of or for non-collection or non-remittance of, those taxes, surtaxes, duties, levies, imposts, rates, fees, assessments, withholdings, dues and other charges;

**“Tax Act”** means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

**“Transaction Personal Information”** has the meaning attributed to such term in Section 7.12;

**“TSX”** means the Toronto Stock Exchange;

**“TSXV”** means the TSX Venture Exchange; and

**“U.S. Securities Act”** means the United States Securities Act of 1933.

## 1.2 Schedule

The following schedule is attached to this Agreement and forms part hereof:

Schedule "A" - Plan of Arrangement

## 1.3 Construction

In this Agreement, unless otherwise expressly stated or the context otherwise requires:

- (a) the division of this Agreement into Articles, Sections and Subsections and the use of headings are for convenience of reference only and do not affect the construction or interpretation hereof;
- (b) the words "hereunder", "hereof" and similar expressions refer to this Agreement and not to any particular Article, Section or Subsection and references to "Articles", "Sections" and "Subsections" are to Articles, Sections and Subsections of this Agreement;
- (c) words importing the singular include the plural and vice versa, and words importing any gender include all genders and the neuter;
- (d) the word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement;
- (e) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation;
- (f) if any date on which any action is required to be taken under this Agreement is not a Business Day, such action will be required to be taken on the next succeeding Business Day;
- (g) a reference to the knowledge of a Party means to the best of the knowledge of any of the officers of such Party after due inquiry;
- (h) in this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder;
- (i) unless otherwise stated, all references in this Agreement to sums of money are expressed in lawful money of Canada and "\$" refers to Canadian dollars; and
- (j) unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature required to be made hereunder shall be made in a manner consistent with IFRS for the applicable reporting period, consistently applied.



## ARTICLE 2 THE ARRANGEMENT

### 2.1 Arrangement

At a time to be determined exclusively by High Arctic, High Arctic and SpinCo shall apply to the Court pursuant to Section 193 of the ABCA for an order approving the Arrangement and in connection with such application shall:

- (a) subject to obtaining all necessary approvals of the High Arctic Shareholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take all steps necessary, including without limitation convening and holding the Meeting for the purpose of considering, *inter alia*, the Arrangement Resolution, or desirable to submit the Arrangement to the Court and apply for the Final Order; and
- (b) subject to the satisfaction or waiver of the conditions set forth herein, at a time to be determined exclusively by High Arctic, deliver to the Registrar the Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out in the Plan of Arrangement without any further act or formality, except as contemplated in the Plan of Arrangement.

### 2.2 Effective Date and Effective Time

The Arrangement will become effective on the Effective Date and the steps to be carried out pursuant to the Plan of Arrangement will become effective commencing as at the Effective Time and in the order set out therein or as otherwise specified in the Plan of Arrangement.

### 2.3 Interim Order

The petition for the application for the Interim Order will request that the Interim Order provide, among other things:

- (a) for the classes of Persons to whom notice is to be provided in respect of the Arrangement and the Meeting and for the manner in which such notice is to be provided;
- (b) confirmation of the record date for the purposes of determining the High Arctic Shareholders entitled to receive notice of and vote at the Meeting in accordance with the Interim Order;
- (c) for the calling and holding of the Meeting for the purpose of, among other things, considering the Arrangement Resolution;
- (d) that the requisite shareholder approval for the Arrangement Resolution will be at least two-thirds of the votes cast by the High Arctic Shareholders present in person or represented by proxy at the Meeting and entitled to vote at the Meeting (and, if required, minority approval pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*);
- (e) for the grant of Dissent Rights only as provided in Section 3.1(1)(a) and Article 4 of the Plan of Arrangement;

- (f) that the Meeting may be adjourned or postponed from time to time by High Arctic, in accordance with the terms of this Agreement, without the need for additional approval of the Court;
- (g) that the Parties intend to rely upon the exemption provided by section 3(a)(10) of the U.S. Securities Act, as contemplated under Section 2.7 hereof;
- (h) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;
- (i) that each High Arctic Shareholder and any other affected Person will have the right to appear before the Court at the hearing of the Court to approve the application for the Final Order so long as they enter a response within the prescribed time and in accordance with the procedures set out in the Interim Order;
- (j) that, subject to the foregoing and in all other respects, other than as ordered by the Court, for the Meeting to be called, held and conducted in accordance with the provisions of the ABCA, the articles and bylaws of High Arctic and the Interim Order; and
- (k) for such other matters as High Arctic may reasonably require.

## **2.4 Meeting Materials**

At a time to be determined exclusively by High Arctic, High Arctic will prepare and will print and make available, directly or indirectly, copies of the Meeting Materials (and any necessary amendments, modifications or supplements to the Circular), together with any other documents required by Applicable Law in connection with the Meeting, to all holders of High Arctic Common Shares, as required by the Interim Order and in accordance with Applicable Laws. High Arctic will cause the Meeting Materials and other documentation required in connection with the Meeting to be sent to each holder of High Arctic Common Shares and filed as required by the Interim Order and Applicable Laws. Each Party will cause the Circular to be prepared and delivered in compliance, in all material respects, with the Interim Order and Applicable Laws, and provide the High Arctic Shareholders with sufficient information to permit the High Arctic Shareholders to form a reasoned judgment concerning the matters to be placed before the Meeting. High Arctic may, in its sole discretion elect to send Meeting Materials in accordance with section 9.1 of National Instrument 51-102 Continuous Disclosure Obligations or alternatively use "Notice and Access" as contemplated by section 9.1.1 of such instrument.

## **2.5 High Arctic Approval**

- (a) High Arctic represents to and in favour of SpinCo that its board of directors has determined unanimously that:
  - (i) the Arrangement is fair, from a financial point of view, to the High Arctic Shareholders and is in the best interests of High Arctic; and
  - (ii) they will recommend that the High Arctic Shareholders vote in favour of the Arrangement Resolution, the Return of Capital Resolution, the Compensation Plan Resolution and the SpinCo Equity Compensation Plan Resolution.
- (b) For greater certainty, nothing in the foregoing or elsewhere in this Agreement shall limit the ability of the Board to act in accordance with its view of its fiduciary duties, including withdrawing, modifying or changing any such determination, recommendation or intention to vote.

## 2.6 Court Proceedings

SpinCo will cooperate and assist High Arctic in, and hereby consents to High Arctic, seeking the Interim Order and the Final Order, including by providing High Arctic on a timely basis with any information as reasonably requested by High Arctic or as required by Applicable Law to be supplied by SpinCo in connection therewith. Without limiting the foregoing, unless otherwise required or requested by High Arctic, in its exclusive determination, the Parties shall: (i) ensure that all material filed with the Court in connection with the Arrangement is consistent with this Agreement and the Plan of Arrangement; (ii) oppose any proposal from any Person that the Final Order contain any provision inconsistent with this Agreement or the Plan of Arrangement; (iii) if at any time after the issuance of the Final Order and prior to the Effective Date, High Arctic is required by the terms of the Final Order or Applicable Law to return to Court with respect to the Final Order, to do so in cooperation with High Arctic; and (iv) not file any material with the Court in connection with the Arrangement or serve any such material, or agree to amend, modify or supplement any material so filed or served, except as contemplated by this Agreement or with High Arctic's prior written consent, in its exclusive determination.

## 2.7 U.S. Securities Law Matters

The Parties agree that the Arrangement will be carried out with the intention that the High Arctic Common Shares, the High Arctic Class A Shares, the New High Arctic Common Shares and the SpinCo Common Shares, and any other securities (if any) (collectively, the "Distribution Securities") issued as part or upon completion of the Arrangement to High Arctic Shareholders and other securityholders will be issued by High Arctic and SpinCo in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by section 3(a)(10) thereof; and in furtherance thereof, agree as follows, unless otherwise determined by High Arctic in its exclusive determination:

- (a) the Arrangement will be subject to the approval of the Court and the Court will hold a hearing required to approve the procedural and substantive fairness of the terms and conditions of the Arrangement to the Persons receiving Distribution Securities pursuant to the Arrangement;
- (b) prior to the hearing required to approve the Arrangement, the Court will be advised as to the intention of the Parties to rely on the exemption under section 3(a)(10) of the U.S. Securities Act;
- (c) High Arctic will use its reasonable efforts to ensure that each Person entitled to receive Distribution Securities as part or upon completion of the Arrangement will be given adequate notice advising them of their right to attend the hearing of the Court to give approval of the Arrangement and providing them with sufficient information necessary for them to exercise that right;
- (d) the Persons entitled to receive Distribution Securities as part or upon completion of the Arrangement will be advised in the Circular that the Distribution Securities issued in the Arrangement have not been registered under the U.S. Securities Act and will be issued in reliance on the exemption under section 3(a)(10) of the U.S. Securities Act; and
- (e) the hearing of the Court to give approval of the Arrangement will be open to any High Arctic securityholders entitled to receive Distribution Securities and there will not be any improper impediments to the appearance by those securityholders at the hearing.

## **ARTICLE 3 REPRESENTATIONS AND WARRANTIES**

### **3.1 Mutual Representations and Warranties**

Each Party represents and warrants to and in favour of each other Party that:

- (a) it is duly incorporated, amalgamated or continued and is validly existing under the laws of its governing jurisdiction and has the corporate power and authority to enter into this Agreement and, subject to obtaining the requisite approvals contemplated hereby, to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement by it and the completion by it of the transactions contemplated herein do not and will not:
  - (i) result in the breach of, or violate any term or provision of, its articles or by-laws;
  - (ii) conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, license, permit or authority to which it is a party or by which it is bound, or to which any assets of such Party are subject, or result in the creation of any Encumbrance upon any of its assets under any such agreement or instrument, or give to others any interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, license, permit or authority, which in any case would have a Material Adverse Effect on it; or
  - (iii) violate any provisions of any Applicable Law or any judicial or administrative award, judgment, order or decree applicable and known to it, the violation of which would have a Material Adverse Effect on it;
- (c) no dissolution, winding-up, bankruptcy, liquidation or similar proceeding has been commenced or is pending or, to such Party's knowledge, is proposed in respect of it, except as contemplated by the Plan of Arrangement;
- (d) except as contemplated in this Agreement, the Interim Order or the Final Order, there is no requirement for such Party to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Arrangement where failure to comply would reasonably be expected to have a Material Adverse Effect on such Party; and
- (e) the execution and delivery of this Agreement and the completion of the transactions contemplated herein have been duly approved by its board of directors, and this Agreement constitutes a valid and binding obligation of such Party enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and to general principles of equity and limitations upon the enforcement of indemnification for fines or penalties imposed by law.

### **3.2 Representations and Warranties of High Arctic**

High Arctic represents and warrants to and in favour of SpinCo that:

- (a) the authorized capital of High Arctic consists of an unlimited number of High Arctic Common Shares and an unlimited number of preferred shares, issuable in series and as of the date hereof, 49,122,203 High Arctic Common Shares and no other shares are issued and outstanding;
- (b) the High Arctic Common Shares are not "taxable Canadian property", as such term is defined in the Tax Act;
- (c) High Arctic (i) is a "reporting issuer" under the Applicable Law of the Provinces of Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan; (ii) is not on the list of defaulting issuers maintained in such Provinces; and (iii) the High Arctic Common Shares are listed for trading on the TSX;
- (d) HAES Cyprus is validly existing and in good standing under the laws of its jurisdiction of incorporation, has all requisite power and authority to own, lease and operate its assets and properties and conduct its business as now owned, leased and conducted, and is duly registered or otherwise qualified to do business in each jurisdiction in which the nature of its business makes such qualification necessary and where the failure to be so qualified would have a Material Adverse Effect on HAES Cyprus;
- (e) the authorized share capital of HAES Cyprus consists of 2,000 Cypriot Pounds divided into 2,000 ordinary shares of one (1) Cypriot Pound each, all of which are owned by High Arctic;
- (f) all outstanding HAES Cyprus Shares have been duly authorized and validly issued, as fully paid and non-assessable shares of HAES Cyprus and all outstanding HAES Cyprus Shares have been issued or granted in material compliance with all Applicable Law;
- (g) no Person holds any securities convertible into HAES Cyprus Shares or any other shares of HAES Cyprus or has any agreement, warrant, option or any other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any unissued shares of HAES Cyprus, other than as contemplated by this Agreement; and
- (h) except as disclosed to SpinCo or as contemplated in this Agreement, the Interim Order or the Final Order, there is no requirement for HAES Cyprus to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Arrangement where failure to comply would reasonably be expected to have a Material Adverse Effect on HAES Cyprus.

### **3.3 No Representations and Warranties**

SpinCo agrees and acknowledges that, except as expressly set out in Sections 3.1 and 3.2, High Arctic is not making any representation and warranty to SpinCo as to any aspect of HAES Cyprus, the HAES Cyprus Shares, and the business owned by HAES Cyprus, it being understood and agreed that SpinCo shall take the assets pertaining to such business, and shall assume, perform and discharge the liabilities pertaining to such business, on an "as-is", "where-is" basis as they exist immediately prior to the Effective Time.

### **3.4 Representations and Warranties of SpinCo**

SpinCo represents and warrants to and in favour of High Arctic that:

- (a) the authorized capital of SpinCo consists of an unlimited number of SpinCo Common Shares, and an unlimited number of preferred shares, of which, as of the date hereof, one SpinCo Common Share is issued and outstanding;
- (b) no Person holds any securities convertible into SpinCo Common Shares or any other shares of SpinCo or has any agreement, warrant, option or other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any unissued shares of SpinCo, other than as contemplated by this Agreement; and
- (c) it has no assets, no liabilities and it has carried on no business other than relating to, and contemplated by, this Agreement and the Plan of Arrangement.

### **3.5 Survival of Representations, Warranties and Covenants**

- (a) Subject to Subsection 3.5(b), all representations, warranties and covenants made by the Parties contained in this Agreement will remain operative and in full force and effect and, notwithstanding any investigation made by or on behalf of any Party or any other Person, or any knowledge of the beneficiaries of such representations, warranties and covenants or the knowledge of any other Person, until the earlier of the termination of this Agreement in accordance with Section 6.2 or the Effective Date, whereupon such representations, warranties and covenants will expire and be of no further force or effect.
- (b) The covenants made by each Party contained in Section 4.4 of this Agreement will survive the Effective Date and the completion of the Arrangement and shall continue in full force and effect for the benefit of each other Party.

## **ARTICLE 4 COVENANTS**

### **4.1 General Covenant**

SpinCo will, and High Arctic will so long as its Board of Directors has not withdrawn its recommendation referred to in Subsection 2.5(a), use all commercially reasonable efforts and do all things reasonably required of it to cause the Arrangement to become effective on or before July 31, 2024, or such later date as High Arctic may determine in its sole discretion.

### **4.2 Covenants of High Arctic**

High Arctic will:

- (a) not perform any act or enter into any transaction that could interfere or be inconsistent with or materially delay the completion of the Arrangement or the Return of Capital;
- (b) as soon as practicable, convene the Meeting;
- (c) in a timely and expeditious manner:
  - (i) forthwith carry out the terms of the Interim Order;
  - (ii) prepare the Circular and proxy solicitation materials and any amendments or supplements thereto, and file such materials in all jurisdictions where the same are required to be filed, and distribute the same as ordered by

the Interim Order and in accordance with all Applicable Laws, and solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution, the Return of Capital Resolution, the SpinCo Equity Compensation Plan Resolutions, the Compensation Plan Resolution and related matters; and

- (iii) conduct the Meeting in accordance with the Interim Order, the by-laws of High Arctic, as applicable, and as otherwise required by Applicable Laws;
- (d) subject to obtaining all necessary approvals of the High Arctic Shareholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, forthwith proceed with and diligently prosecute an application for the Final Order;
- (e) take all steps necessary to ensure that (i) the Final Order approves the Arrangement after a hearing upon the fairness of such terms and conditions at which all Persons to whom it is proposed to issue securities have the right to appear (and such Persons have received timely and adequate notice of the hearing), without any improper impediments to their appearance at the hearing, (ii) the Court is advised before the hearing that High Arctic will rely on the exemption from U.S. securities registration set forth in Section 3(a)(10) of the U.S. Securities Act of 1933, as amended, based on the Court's approval of the Arrangement, and (iii) the Court finds, before approving the Arrangement, that the terms and conditions of the Arrangement are fair (procedurally and substantively) to those to whom securities will be issued, and approves the fairness of the terms and conditions of the Arrangement;
- (f) subject to the receipt of the Final Order and the satisfaction or waiver of the conditions precedent in favour of High Arctic set out in Article 5, deliver to and file with the Registrar the Articles of Arrangement and the Final Order at such time as High Arctic deems appropriate in its sole discretion in order to give effect to the Arrangement;
- (g) on or before the Effective Date, assist and cooperate in the preparation and filing with all applicable securities commissions or similar securities regulatory authorities in Canada of all necessary applications to seek exemptions, if required, from the prospectus, registration and other requirements of the applicable securities laws of jurisdictions in Canada for the issue by High Arctic of New High Arctic Common Shares, and by SpinCo of SpinCo Common Shares, and other exemptions that are necessary or desirable in connection with the Arrangement;
- (h) prior to the Effective Date, obtain confirmation from the TSX or the TSXV of the continued listing or listing, as the case may be, of the New High Arctic Common Shares, and jointly with SpinCo, make application to list the SpinCo Common Shares, issuable pursuant to the Arrangement, on the TSXV;
- (i) on or before the Effective Date, perform the obligations required to be performed by High Arctic under the Plan of Arrangement and do all such other acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments, as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement and any transactions necessary for the effectiveness of the Arrangement, including using all commercially reasonable efforts to obtain:
  - (i) the approval of High Arctic Shareholders required for the implementation of the Arrangement;



- (ii) the approval of High Arctic Shareholders required for the implementation of the Return of Capital;
  - (iii) the approval of High Arctic Shareholders required for the adoption of the SpinCo Equity Incentive Plan;
  - (iv) the approval of the High Arctic Shareholders required for the adoption of the Compensation Plan Resolution;
  - (v) such other consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Arrangement, including those referred to in Section 5.1; and
  - (vi) satisfaction of the other conditions precedent referred to in Sections 5.1 and 5.2;
- (j) use commercially reasonable efforts to secure directors' and officers' liability insurance for the directors and officers of High Arctic who cease to be directors and/or officers of High Arctic to become directors and/or officers of SpinCo in connection with the Arrangement on a seven year "trailing" (or "run-off") basis provided that such trailing policy is available at a reasonable cost. If a trailing policy is not available at a reasonable cost, High Arctic will maintain in effect without any reduction in scope or coverage for seven years from the Effective Date customary policies of directors' and officers' liability insurance providing protection no less favourable than the protection provided by the policies maintained by High Arctic which are in effect immediately before the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or before the Effective Date; and
- (k) honour all rights to indemnification or exculpation now existing in favour of directors and officers of High Arctic who cease to be directors and/or officers of High Arctic to become directors and/or officers of SpinCo in connection with the Arrangement, and acknowledges that such rights will survive the completion of the Plan of Arrangement and will continue in full force and effect for a period of not less than seven years from the Effective Date. For the avoidance of doubt, nothing in this Section 4.2(k) shall be interpreted as reducing or shortening in any way the length or duration of indemnification obligations of High Arctic pursuant to any indemnification agreement or indemnification covenant pursuant to any written agreement that High Arctic and any of the foregoing directors and/or officer of High Arctic are parties to prior to the Effective Date or entered into thereafter.

#### **4.3 Covenants of SpinCo**

SpinCo will:

- (a) prior to the Effective Date, adopt the SpinCo Equity Incentive Plan;
- (b) not, on or before the Effective Date, except as specifically provided for hereunder or in connection with the Arrangement, alter or amend its constating documents, articles or by-laws as the same exist as at the date of this Agreement;
- (c) prior to the Effective Date, cooperate in agreeing to make such amendments to this Agreement and the Plan of Arrangement, as may be reasonably necessary to implement the Plan of Arrangement, or as may be determined by High Arctic, in its



sole discretion, to enable High Arctic to carry out any transactions deemed advantageous by High Arctic for the Arrangement;

- (d) not perform any act or enter into any transaction that could interfere or could be inconsistent with or materially delay the completion of the Arrangement; and
- (e) not issue shares in SpinCo's capital stock prior to the Effective Time and issue such shares only in accordance with and subject to the terms of the Plan of Arrangement;
- (f) on or before the Effective Date, perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments, as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement, including co-operating with High Arctic to obtain:
  - (i) the Final Order;
  - (ii) the approval of the listing of the SpinCo Common Shares on the TSXV or another designated stock exchange (as defined in the Tax Act);
  - (iii) such other consents, rulings, orders, approvals and assurances as are necessary or desirable for the implementation of the Arrangement, including those referred to in Section 5.1; and
  - (iv) satisfaction of the other conditions precedent referred to in Sections 5.1 and 5.2.

#### **4.4 Tax-Related Covenants**

- (a) Each Party covenants and agrees with and in favour of each other Party that: (i) it and any successor thereto and subsidiaries will not, on or before the Effective Date, perform any act or enter into any transaction or permit any transaction within its control to occur that could reasonably be considered to interfere or be inconsistent with the tax planning in respect of the Arrangement;
- (b) Each Party covenants and agrees with and in favour of each other Party to file its tax returns and make all other filings, notifications, designations and elections pursuant to the Tax Act and to make adjustments to its stated capital accounts in accordance with the terms of the Plan of Arrangement following the Effective Date. Where an agreed amount is to be included in any such election, such amount will be within the range contemplated by the Tax Act (or applicable provincial or foreign legislation), the Plan of Arrangement and this Agreement;
- (c) Each Party covenants and agrees with and in favour of each other Party to cooperate in the preparation and filing, in the form and within the time limits prescribed or otherwise contemplated in the Tax Act, of all tax returns, filings, notifications, designations and elections under the Tax Act as contemplated in the Plan of Arrangement and this Agreement (and any similar tax returns, elections, notifications or designations that may be required under applicable provincial or foreign legislation); and
- (d) SpinCo covenants and agrees that it will, on or before its filing due date for its first taxation year, and pursuant to the post-amble of the definition of public corporation

in subsection 89(1) of the Tax Act, elect in its federal return of income for that taxation year to be a public corporation from the beginning of the year until the time it will become a public corporation.

## **ARTICLE 5 CONDITIONS**

### **5.1 Conditions Precedent**

The obligations of High Arctic to complete the transactions contemplated by this Agreement and to file Articles of Arrangement to give effect to the Arrangement are subject to the satisfaction of the following conditions (which may be waived by High Arctic without prejudice to its right to rely on any other condition in its favour):

- (a) the Interim Order shall not have been set aside, amended or varied in a manner unacceptable to High Arctic, in its sole discretion, whether on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the High Arctic Shareholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;
- (c) the Return of Capital Resolution shall have been approved by the requisite number of votes cast by the High Arctic Shareholders at the Meeting in accordance with any applicable regulatory requirements;
- (d) the SpinCo Equity Incentive Plan Resolution shall have been approved by the requisite number of votes cast by the High Arctic Shareholders at the Meeting in accordance with any applicable regulatory requirements;
- (e) the Compensation Plan Resolution shall have been approved by the requisite number of votes cast by the High Arctic Shareholders at the Meeting in accordance with any applicable regulatory requirements;
- (f) the Final Order shall have been obtained in form and substance satisfactory to High Arctic, in its sole discretion, provided that the requirements of Section 4.2(e) have been met with respect to the Final Order;
- (g) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to High Arctic, in its sole discretion, shall have been accepted for filing by the Registrar together with the Final Order in accordance with Subsection 193(10) of the ABCA;
- (h) all material consents, orders, rulings, approvals, opinions and assurances, including regulatory, judicial, third party and advisor opinions, approvals and orders, required or necessary, in the sole discretion of High Arctic, for the completion of the transactions provided for in this Agreement, the Plan of Arrangement, shall have been obtained or received, and none of the consents, orders, rulings, approvals, opinions or assurances contemplated herein shall contain terms or conditions or require undertakings or security that are considered unsatisfactory or unacceptable by High Arctic, in its sole discretion;
- (i) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of or relating to, the Arrangement and there shall not be in force any order or decree restraining or enjoining the consummation of the transactions

contemplated by this Agreement, and no cease trading or similar order with respect to any securities of any of the Parties shall have been issued and remain outstanding;

- (j) no law, regulation or policy shall have been proposed, enacted, promulgated or applied that interferes or is inconsistent with the completion of the Arrangement, including any material change to the income tax laws of Canada or any province, state or territory thereof;
- (k) the New High Arctic Common Shares (including shares issuable under the High Arctic Equity Compensation Plans) shall continue to be listed on the TSX or shall be listed on the TSXV and the SpinCo Common Shares (including shares issuable under the SpinCo Equity Compensation Plan) to be issued pursuant to the Arrangement shall have been conditionally approved for listing on the TSXV, or other designated stock exchange (as defined in the Tax Act) subject to compliance with the normal listing requirements of such exchange;
- (l) there shall not have developed, occurred or come into effect or existence any event, action or occurrence of national or international consequences, any governmental law or regulation, state, condition or major financial occurrence, including any act of terrorism, war or like event, or other occurrence of any nature, which, in the sole discretion of High Arctic, materially adversely affects, or may materially adversely affect, the financial markets in Canada or the business, financial condition, operations or affairs of High Arctic or SpinCo (as defined in the Plan of Arrangement) going forward;
- (m) High Arctic Shareholders will not have validly exercised Dissent Rights in connection with the Arrangement with respect to more than 10% of the issued and outstanding High Arctic Common Shares;
- (n) the Fairness Opinion will have been received by the Board and will not have been withdrawn or modified; and
- (o) the Arrangement Agreement shall not have been terminated pursuant to the termination provisions contained in Section 6.2.

## **5.2 Conditions to Obligation of Each Party**

The obligation of each Party to complete the transactions contemplated by this Agreement is further subject to the conditions (which may be waived by such Party without prejudice to its right to rely on any other condition in its favour) that: (i) the covenants of each other Party to be performed on or before the Effective Date pursuant to the terms of this Agreement will have been duly performed in all material respects; (ii) except as set forth in this Agreement, the Plan of Arrangement, the representations and warranties of each other Party will be true and correct in all material respects as at the Effective Date, with the same effect as if such representations and warranties had been made at, and as of, such date; and (iii) and each such Party will receive a certificate, dated the Effective Date, of a senior officer of each other Party confirming the matters in (i) and (ii) above.

## **5.3 Merger/Waiver of Conditions**

The conditions set out in Sections 5.1 and 5.2 will be conclusively deemed to have been satisfied, waived or released on the filing by High Arctic of Articles of Arrangement under the ABCA to give effect to the Plan of Arrangement.

## **ARTICLE 6 AMENDMENT AND TERMINATION**

### **6.1 Amendment**

This Agreement may, at any time and from time to time before and after the holding of the Meeting, but not later than the Effective Date, be amended by written agreement of the Parties without, subject to Applicable Law, further notice to or authorization on the part of their respective shareholders. Without limiting the generality of the foregoing, any such amendment may:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation contained herein or in any document to be delivered pursuant hereto;
- (c) except as otherwise provided herein, waive compliance with or modify any of the covenants contained herein or waive or modify performance of any of the obligations of the Parties; or
- (d) make such alterations, modifications or amendments to this Agreement as the Parties may consider necessary or desirable in connection with the Interim Order or the Final Order.

### **6.2 Termination**

This Agreement may, at any time before or after the holding of the Meeting but prior to the issue of the Certificate of Arrangement, be terminated by High Arctic in its sole discretion at any time without the approval of the High Arctic Shareholders or SpinCo and nothing expressed or implied herein or in the Plan of Arrangement shall be construed as fettering the absolute discretion of High Arctic to elect to terminate this Agreement and discontinue efforts to effect the Plan of Arrangement for whatever reason it may consider appropriate. This Agreement will terminate without any further action by the Parties if the Effective Date has not occurred on or before July 31, 2024, or such later date as High Arctic may determine in its sole discretion.

## **ARTICLE 7 GENERAL**

### **7.1 Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and delivered personally or by courier or by email addressed to the recipient as follows:

To High Arctic:

330 - 5th Avenue SW, Suite 2350  
Calgary, Alberta T2P 0L4  
Attention: Michael J. Maguire

email: mike.maguire@haes.ca

To SpinCo:

330 - 5th Avenue SW, Suite 2350  
Calgary, Alberta T2P 0L4

Attention: Michael J. Maguire

email: mike.maguire@haes.ca

in each case with a copy to:

DLA Piper (Canada) LLP  
Suite 1000, 250 – 2<sup>nd</sup> Street S.W.  
Calgary, AB T2P 0C1  
Attention: Roy Hudson

email: roy.hudson@dlapiper.com

or such other address that a Party may, from time to time, advise the other Parties by notice in writing given in accordance with the foregoing. The date of receipt of any such notice will be deemed to be the date of actual delivery thereof or, if given by facsimile, on the day of transmittal thereof if given during the normal business hours of the recipient with written confirmation of receipt by fax and verbal confirmation of same and on the next Business Day, if not given during such hours.

## **7.2 Time of Essence**

Time is of the essence of this Agreement.

## **7.3 Further Assurances**

Each of the Parties will from time to time execute and deliver such further documents and instruments and do all acts and things as any other Party may before the Effective Date reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

## **7.4 Assignment**

No Party may assign its rights or obligations under this Agreement or the Arrangement without the prior written consent of the other Parties (which consent will not be unreasonably withheld or delayed), provided that no such consent will be required for any Party to assign its rights and obligations under this Agreement and the Arrangement to a corporate successor to such Party or to a purchaser of all or substantially all of the assets of such Party.

## **7.5 Binding Effect**

This Agreement will be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns, and specific references to “successors” elsewhere in this Agreement will not be construed to be in derogation of the foregoing.

## **7.6 Waiver**

Any waiver or release of any of the provisions of this Agreement, to be effective, must be in writing executed by the Party granting the same.

## **7.7 No Personal Liability**

- (a) No Representative of High Arctic shall have any personal liability whatsoever to any other Party on behalf of High Arctic under this Agreement, the Plan of

Arrangement, or any other document delivered in connection with any of the foregoing; and

- (b) No Representative of SpinCo shall have any personal liability whatsoever to any other Party on behalf of SpinCo under this Agreement, the Plan of Arrangement, or any other document delivered in connection with any of the foregoing.

## **7.8 Invalidity of Provisions**

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Applicable Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

## **7.9 Entire Agreement**

This Agreement, the Plan of Arrangement and the other agreements and instruments contemplated hereby and thereby or entered into or delivered in connection herewith or therewith, constitute the entire agreement between the Parties pertaining to the subject matter hereof and thereof. There are no warranties, conditions, or representations (including any that may be implied by statute), and there are no agreements, in connection with such subject matter except as specifically set forth or referred to in this Agreement, the Plan of Arrangement and such other agreements and instruments contemplated hereby and thereby or entered into or delivered in connection herewith or therewith including the Agreement, or as otherwise set out in writing and delivered at Closing.

## **7.10 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein without regard to conflicts of law principles. Each of the Parties agrees that any action or proceeding arising out of or relating to this Agreement may be instituted in the courts of Alberta, waives any objection which it may have now or later to the venue of that action or proceeding, irrevocably submits to the non-exclusive jurisdiction of those courts in that action or proceeding and agrees to be bound by any judgment of those courts.

## **7.11 No Third Party Beneficiaries**

Except as otherwise provided in Sections 7.4, 7.5 and 7.7, this Agreement is not intended to confer on any Person other than the Parties any rights or remedies.

## **7.12 Privacy**

- (a) Each Party agrees to comply with all privacy Applicable Law in the course of collecting, using and disclosing personal information about an identifiable individual (the "**Transaction Personal Information**"). Neither Party will disclose Transaction Personal Information to any Person other than to its Representatives. If the Arrangement is consummated, neither Party will, following the Effective Time, without the consent of the individuals to whom such Transaction Personal Information relates or as permitted or required by Applicable Law, use or disclose Transaction Personal Information:

- (i) for purposes other than those for which such Transaction Personal Information was collected or provided; and
  - (ii) which does not relate directly to the carrying on of the business of such Party or to the carrying out of the purposes for which the transactions contemplated by this Agreement were implemented.
- (b) Each Party will protect and safeguard the Transaction Personal Information against unauthorized collection, use or disclosure. Each Party will cause its Representatives to observe the terms of this Section 7.12 and to protect and safeguard the Transaction Personal Information in their possession. If this Agreement is terminated, each Party will promptly return to the other Party any Transaction Personal Information in its possession or in the possession of any of its Representatives, including all copies, reproductions, summaries or extracts thereof.

### 7.13 Confidentiality

- (a) Each Party hereby acknowledges and agrees that the other Party and its Affiliates have a proprietary (or will have following the Effective Date in respect to SpinCo) interest in the Restricted Information of such Party and the same is of value to such other Party and its Affiliates and that the use or disclosure of the Restricted Information of such other Party contrary to the terms of this Agreement would cause irreparable harm to such other Party and its Affiliates. Subject to the provisions of paragraph (c) of this Section 7.13, each of High Arctic, on the one hand, and SpinCo, on the other hand, agree to hold, and to cause its respective Affiliates and its respective Representatives to hold, in strict confidence, with at least the same degree of care that applies to High Arctic's Confidential Information pursuant to policies in effect as of the Effective Date, all Restricted Information of the other Party, and will not use, and will cause its respective Affiliates and its respective Representatives not to use, any such Restricted Information other than for such purposes as are expressly contemplated hereunder or under the transactions or other agreements contemplated hereby. Each such Party further agrees to, and to cause their respective Affiliates and Representatives to, only use the Shared Information in the normal course of their respective businesses for their own internal purposes and not divulge or communicate to any third party any Shared Information (except that the Parties will be permitted to disclose such information, to the extent necessary in connection with their normal business activities, on a confidential basis, to their consultants, contractors, customers, partners, suppliers and Representatives who have a need to know the information); provided, however, that where an obligation is owed to a third party in respect of such Shared Information, the Parties covenant and agree to use such information only in a manner consistent with such obligation.
- (b) For purposes of this Agreement, Confidential Information, Restricted Information and Shared Information will not include information that is now or subsequently becomes generally available to the public other than as a result of a breach of this Agreement or any other agreement relating to confidentiality between or among the Parties and/or their respective Affiliates or Representatives. In addition, information will not constitute Confidential Information of the second Party if such information was (i) lawfully acquired by the first Party and/or any of its Affiliates or Representatives from a third party not bound by a confidentiality obligation, or (ii) independently generated or developed by one or more Representatives of the first Party and/or any of its Affiliates without reference to Restricted Information of the second Party.



- (c) In the event that a Party and/or its Affiliates or Representatives determines that it is required to disclose any Confidential Information (the “**Disclosing Party**”) pursuant to Applicable Law or receives any demand under lawful process or from a Governmental Authority to disclose or provide Confidential Information, and such disclosure or provision of the Confidential Information would be in breach of this Section 7.13, the Disclosing Party will, to the extent permitted by Applicable Law promptly notify the other Party so that the other Party has a reasonable opportunity to seek a protective arrangement and/or waive compliance with the applicable provisions of this Section 7.13 prior to the Disclosing Party disclosing or providing such Confidential Information, and the Party that received such request will cooperate, at the expense of the requesting Party, in seeking any such protective arrangements requested by such requesting Party. Subject to the foregoing, the Disclosing Party may thereafter disclose or provide such Confidential Information to the extent required by such Applicable Law (as so advised by legal counsel) or by lawful process or by such Governmental Authority and will, to the extent permitted by Applicable Law, promptly provide the other Party with a copy of the Confidential Information so disclosed together with a list of all Persons to whom such Confidential Information was disclosed. In any such event, the Disclosing Party will also use reasonable commercial efforts to ensure that all Confidential Information that is so disclosed will be afforded confidential treatment by the recipient. In addition, notwithstanding the foregoing or any other provision of this Agreement, a Party may disclose any Confidential Information (x) to its Representatives, provided they are under obligations in respect of limited use, limited disclosure and confidentiality in respect of such Confidential Information no less stringent than the obligations set forth herein, on a “need-to- know” basis, in connection with disputes or litigation between the Parties that relates to such Confidential Information, provided that each Party will endeavour to limit disclosure for that purposes, or (y) in connection with the exercise of any rights granted hereunder.

#### **7.14 Counterparts**

This Agreement may be executed in any number of original, facsimile or “pdf” counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**



**IN WITNESS WHEREOF** the Parties have executed this Agreement.

**HIGH ARCTIC ENERGY SERVICES INC.**

Per: \_\_\_\_\_  
Michael J. Maguire  
Chief Executive Officer

Per: \_\_\_\_\_  
Lonn Bate  
Chief Financial Officer

**HIGH ARCTIC OVERSEAS HOLDINGS  
CORP.**

Per: \_\_\_\_\_  
Michael J. Maguire  
Chief Executive Officer

## SCHEDULE "A"

### PLAN OF ARRANGEMENT UNDER SECTION 193 OF THE BUSINESS CORPORATIONS ACT (ALBERTA)

#### ARTICLE 1 - INTERPRETATION

##### 1.1 Definitions

In this Plan of Arrangement, other than the Appendices:

"**ABCA**" means the *Business Corporations Act* (Alberta), as amended, including the regulations promulgated thereunder;

"**Arrangement**" means the arrangement under Section 193 of the ABCA on the terms and subject to the conditions set forth in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement or this Plan of Arrangement, or made at the direction of the Court in the Final Order;

"**Arrangement Agreement**" means the arrangement agreement made as of May 9, 2024 among the Parties, as it may be amended, modified or supplemented from time to time in accordance with its terms;

"**Arrangement Resolution**" means the special resolution of the High Arctic Shareholders approving the Arrangement in accordance with the Interim Order;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;

"**Board**" means the board of directors of the Corporation;

"**Business Day**" means any day other than a Saturday, Sunday or Statutory holiday in Calgary, Alberta under the laws of the Province of Alberta or the federal laws of Canada;

"**Certificate of Arrangement**" means the certificate of arrangement or proof of filing to be issued by the Registrar, pursuant to subsection 193(11) or subsection 193(12) in respect of the Articles of Arrangement and giving effect to the Arrangement;

"**Court**" means the Court of King's Bench of Alberta;

"**Depository**" means Odyssey Trust Company, engaged for the purpose of, among other things, exchanging certificates representing High Arctic Common Shares for New High Arctic Common Shares and SpinCo Common Shares in connection with the Arrangement;

"**Dissent Rights**" means the right of a High Arctic Shareholder to dissent in respect of the Arrangement pursuant to the procedures set forth in Section 191 of the ABCA, as modified by Article 3 of this Plan of Arrangement, the Interim Order and any other order of the Court;

"**Dissenting Shareholder**" means a High Arctic Shareholder who validly dissents from the Arrangement Resolution in compliance with the Dissent Rights and who has not withdrawn the exercise of such Dissent Rights and is ultimately determined to be paid fair value in respect of the High Arctic Common Shares held by such High Arctic Shareholder;

"**DRS**" means the direct registration system;

**"DRS Advice"** means a DRS advice which details the shares held in a book position;

**"Effective Date"** means the date shown on the confirmation of filing to be issued under the ABCA giving effect to the Arrangement, which date shall be determined in accordance with the Arrangement Agreement;

**"Effective Time"** means the time at which the steps to complete the Arrangement will commence, which will be 12:01 a.m. (Calgary time) on the Effective Date, subject to any amendment or variation in accordance with the terms of the Arrangement Agreement;

**"Encumbrance"** means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, adverse claim or right of any third party to acquire or restrict the use of property;

**"Final Order"** means the final order of the Court approving the Arrangement, as such order may be amended or varied at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or amended, with or without variation, on appeal;

**"HAES Cyprus"** means High Arctic Energy Services Cyprus Limited;

**"HAES Cyprus Shares"** means the common shares in the capital of HAES Cyprus;

**"High Arctic"** or the **"Corporation"** means High Arctic Energy Services Inc., a corporation amalgamated under the ABCA;

**"High Arctic Class A Shares"** means the amended and redesignated High Arctic Common Shares as described in Section 3.1(1)(b)(i) of this Plan of Arrangement;

**"High Arctic Common Shares"** means the currently existing common shares in the capital of High Arctic which High Arctic is authorized to issue as the same are constituted on the date hereof;

**"High Arctic Preferred Shares"** means the preferred shares in the capital of High Arctic and having the rights, privileges, restrictions and conditions as currently set forth in the articles of High Arctic;

**"High Arctic Shareholder"** means a holder of High Arctic Common Shares;

**"Interim Order"** means the interim order of the Court concerning the Arrangement and containing declarations and directions with respect to, among other things, the Arrangement and the holding of the Meeting, as such order may be amended or varied by the Court;

**"Letter of Transmittal"** means the letter of transmittal to be delivered by the High Arctic Shareholders to the Depositary providing for the delivery of High Arctic Common Shares to the Depositary;

**"Meeting"** means the annual general and special meeting of High Arctic Shareholders (including any adjournment or postponement thereof) to be called and held in accordance with the Interim Order to consider and, if deemed advisable, among other items of business, to approve the Arrangement Resolution, the Return of Capital Resolution, and the SpinCo Stock Option Plan Resolution;

**"New High Arctic Common Shares"** means the new class of common shares in the capital of High Arctic created pursuant to Section 3.1(1)(b)(ii) of this Plan of Arrangement, and for which the High Arctic Class A Shares are, in part, to be exchanged under section 3.1(f) of this Plan of Arrangement and which, immediately after the completion of the transactions comprising the Plan of Arrangement, will be identical in every relevant respect to the High Arctic Common Shares, and

will have the rights, privileges, restrictions and conditions set out in Appendix "B" to this Plan of Arrangement;

**"Participating Shareholder"** means a High Arctic Shareholder as at the Effective Time, other than a Dissenting Shareholder;

**"Party"** means a party to this Plan of Arrangement;

**"Person"** means and includes an individual, limited or general partnership, limited liability company, limited liability partnership, trust, joint venture, association, body corporate, unlimited liability corporation, trustee, executor, administrator, legal representative, government (including any governmental authority) or any other entity, whether or not having legal status, except that, where High Arctic Common Shares are held by a trustee under a bare trust arrangement, the beneficiary and not the trustee shall be regarded as the holder of such High Arctic Common Shares and any property substituted therefor;

**"Plan of Arrangement"** means this plan of arrangement, including its Appendices, as it may be amended, modified or supplemented from time to time in accordance with the terms hereof;

**"PUC"** means paid-up capital, and has the meaning attributed to such term in Subsection 89(1) of the Tax Act;

**"Registrar"** means the Registrar of Corporations for the Province of Alberta duly appointed under the ABCA;

**"Return of Capital"** means the reduction of the stated capital account maintained by High Arctic in respect of the High Arctic Common Shares pursuant to paragraph 38(1)(b) of the ABCA by an amount to be determined by the High Arctic Board not exceeding \$0.76 multiplied by the number of High Arctic Common Shares issued and outstanding at the time the High Arctic Board makes such determination, for the purpose of permitting a special distribution to be made to High Arctic Shareholders of up to \$0.76 per High Arctic Common Share as a return of capital;

**"Return of Capital Resolution"** means the special resolution of High Arctic Shareholders approving the Return of Capital to be considered at the Meeting;

**"SpinCo"** means High Arctic Overseas Holdings Corp., a corporation incorporated under the ABCA;

**"SpinCo Common Shares"** means the common shares in the capital of SpinCo and having the rights, privileges, restrictions and conditions as currently set forth in the Articles of SpinCo and as set out in Appendix "C" to this Plan of Arrangement;

**"SpinCo Equity Incentive Plan"** means the equity incentive plan of SpinCo adopted prior to the Effective Date;

**"SpinCo Equity Incentive Plan Resolution"** means the ordinary resolution of High Arctic Shareholders approving the SpinCo Equity Incentive Plan to be considered at the Meeting;

**"SpinCo Preferred Shares"** means the preferred shares in the capital of SpinCo and having the rights, privileges, restriction and conditions as currently set forth in the Articles of SpinCo and as set out in APPENDIX "C" to this Plan of Arrangement;

**"Subsidiary"** means, at any particular time, a Person controlled, directly or indirectly, by High Arctic or SpinCo, as applicable;

**"Tax Act"** means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

**"Transfer Agent"** means Odyssey Trust Company, as registrar and transfer agent of High Arctic, or such other Person as may be designated by High Arctic; and

**"TSX"** means the Toronto Stock Exchange.

## 1.2 Construction

In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

- (a) the division of this Plan of Arrangement into Articles, Sections and Subsections and the use of headings are for convenience of reference only and do not affect the construction or interpretation hereof;
- (b) the words "hereunder", "hereof" and similar expressions refer to this Plan of Arrangement and not to any particular Article, Section or Subsection and references to "Articles", "Sections" and "Subsections" are to Articles, Sections and Subsections of this Plan of Arrangement;
- (c) words importing the singular include the plural and vice versa, and words importing any gender include all genders and the neuter;
- (d) the word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (e) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

## 1.3 Schedules

The following are the Schedules to this Plan of Arrangement:

- Appendix "A" - SpinCo Equity Incentive Plan
- Appendix "B" - Share Conditions attaching to High Arctic Common Shares, High Arctic Preferred Shares, and New High Arctic Common Shares
- APPENDIX "C" - Share Conditions attaching to SpinCo Common Shares and the SpinCo Preferred Shares
- APPENDIX "D" - Directors of SpinCo
- APPENDIX "E" - By-laws of SpinCo

## ARTICLE 2 - ARRANGEMENT AGREEMENT

### 2.1 Arrangement Agreement

- (1) This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms part of, the Arrangement Agreement.
- (2) This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective at, and be binding at and after, the Effective Time.
- (3) The Articles of Arrangement and the Certificate of Arrangement shall be filed and issued, respectively, with respect to the Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.
- (4) Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any Party or Person until the Effective Time. Further, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Arrangement.

### **ARTICLE 3 - THE ARRANGEMENT**

#### **3.1 Arrangement**

- (1) Commencing at the Effective Time, the events and transactions set out in Subsections 3.1(1)(a) to 3.1(1)(m), inclusive, will occur and be deemed to occur, unless otherwise provided, in the order set out below, without any further act or formality, and with each event or transaction occurring and being deemed to occur immediately after the occurrence of the immediately preceding event or transaction:
  - (a) the High Arctic Common Shares held by any Dissenting Shareholders, who duly exercise their Dissent Rights and who are ultimately entitled to be paid fair value for those High Arctic Common Shares, will be deemed to have been transferred to High Arctic and cancelled and will cease to be outstanding at the Effective Time, and such Dissenting Shareholders will cease to have any rights as High Arctic Shareholders other than the right to be paid the fair value for their High Arctic Common Shares by High Arctic;
  - (b) the articles of High Arctic will be amended to:
    - (i) rename and redesignate all of the issued and unissued High Arctic Common Shares as "Class A Common Shares" and amending the special rights and restrictions attached to those shares to provide the holders thereof with two (2) votes in respect of each share held, being the "High Arctic Class A Shares"; and
    - (ii) create and authorize the issuance of (in addition to the shares it is authorized to issue immediately before such amendment) an unlimited number of New High Arctic Common Shares;
  - (c) SpinCo shall purchase for cancellation the one SpinCo Common Share owned by High Arctic for its issue price of one dollar (\$1.00), which SpinCo Common Share shall then be cancelled;
  - (d) High Arctic will assign and transfer to SpinCo all of the issued and outstanding HAES Cyprus Shares in consideration for SpinCo issuing to High Arctic that

number of SpinCo Common Shares equal to one quarter (1/4) of the number of High Arctic Common Shares issued and outstanding at the time of the foregoing assignment and transfer. In respect of such transfer, High Arctic will jointly elect with SpinCo, in prescribed form and within the time allowed by subsection 85(6) of the Tax Act to have provisions of subsection 85(1) of the Tax Act apply to the transfer of the HAES Cyprus Shares. The amount added to the stated capital in respect of the SpinCo Common Shares issued as consideration on the transfer of the HAES Cyprus Shares will equal the amount High Arctic and SpinCo agree to in their election form;

- (e) each Participating Shareholder will exchange one High Arctic Class A Share for one quarter (1/4) of one New High Arctic Common Share and one quarter (1/4) of one SpinCo Common Share, such that: (a) the stated capital account of the New High Arctic Common Shares issued by High Arctic will equal the PUC of the former High Arctic Class A Shares less the fair market value of the SpinCo Common Shares on the Effective Date; (b) no other consideration will be received by any holder of such High Arctic Common Shares; and (c) the High Arctic Class A Shares so exchanged will be cancelled;
- (f) the articles of High Arctic will be amended to eliminate the High Arctic Class A Shares such that, immediately following such alteration, High Arctic will be authorized to issue an unlimited number of New High Arctic Common Shares and an unlimited number of High Arctic Preferred Shares, issuable in series;
- (g) the Spinco Equity Incentive Plan will come into force and effect with the terms and conditions set out in Appendix "A" to this Plan of Arrangement;
- (h) the directors of SpinCo will be those persons listed in APPENDIX "D" to this Plan of Arrangement;
- (i) the directors of SpinCo will have the authority to appoint one or more additional directors of SpinCo, who will hold office for a term expiring not later than the close of the next annual meeting of shareholders of SpinCo, but the total number of directors so appointed may not exceed one third of the number of Persons who become directors of SpinCo as contemplated hereby;
- (j) the by-laws of SpinCo will be the by-laws set out in Appendix "D" to this Plan of Arrangement, and such by-laws are hereby deemed to have been confirmed by the shareholders of SpinCo;
- (k) KPMG LLP will be the initial auditors of SpinCo, to hold office until the close of the first annual meeting of shareholders of SpinCo, or until KPMG LLP resigns as contemplated by Section 164 of the ABCA or are removed from office as contemplated by Section 165 of the ABCA, and the directors of SpinCo will be authorized to fix their remuneration;
- (l) the registered office of SpinCo shall be located at 1000, 250 - 2nd Street S.W., Calgary, Alberta, T2P 0C1; and
- (m) while each Participating Shareholder's fractional New High Arctic Common Shares and SpinCo Common Shares will be combined, no fractional shares will be issued and Participating Shareholders will not receive any compensation in lieu thereof. The name of each Participating Shareholder who is so deemed to exchange his, her or its High Arctic Class A Shares, shall be removed from the central securities register of High Arctic Class A Shares with respect to the High Arctic Class A

Shares so exchanged and shall be added to the central securities registers of New High Arctic Common Shares and SpinCo Common Shares as the holder of the number of New High Arctic Common Shares and SpinCo Common Shares, deemed to have been received on the exchange. The aggregate PUC of the New High Arctic Common Shares will be equal to the PUC of the High Arctic Common Shares immediately prior to the completion of the Arrangement, less the fair market value of the SpinCo Common Shares on the Effective Date.

- (2) All amounts of stated capital for purposes of the ABCA to be determined under this Plan of Arrangement will be determined in accordance with the authorization of the board of directors of the applicable corporation, subject to the limitations in this Plan of Arrangement.

### **3.2 Deemed Fully Paid and Non-Assessable Shares**

- (1) All New High Arctic Common Shares and SpinCo Common Shares issued pursuant hereto will be deemed to be or have been validly issued and outstanding as fully paid and non-assessable shares for all purposes of the ABCA.

### **3.3 Supplementary Action**

- (1) Notwithstanding that the transaction and events set out in Section 3.1 hereof will occur, and shall be deemed to occur, in the order therein set out without any other authorization, act or formality, each of High Arctic and SpinCo will make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be required to further document or evidence any of the transactions or events set out in Section 3.1 hereof, including any resolution of directors authorizing the issue, transfer or purchase for cancellation of shares, any share transfer powers evidencing the transfer of shares and any receipt therefor, and any necessary additions to, or deletions from, share registers.

## **ARTICLE 4 - RIGHTS OF DISSENT**

### **4.1 Rights of Dissent**

- (1) Registered holders of High Arctic Common Shares may exercise Dissent Rights in connection with the Arrangement; provided that, notwithstanding section 191(5)(a) of the ABCA, the written notice setting forth such a registered holder's objection to the Arrangement Resolution referred to in section 191(5)(a) of the ABCA must be received by High Arctic no later than 5:00 p.m. (Mountain Time) on the day that is two Business Days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time). Dissenting Shareholders who duly exercise their Dissent Rights in accordance with this Section 4.1 and who:
  - (a) are ultimately entitled to be paid fair value for their High Arctic Common Shares, (i) will be deemed to have transferred the High Arctic Common Shares held by them and in respect of which Dissent Rights have been validly exercised to High Arctic, free and clear of all liens, claims and encumbrances, as set out in Section 3.1(a), (ii) will be deemed not to have participated in the transactions in respect of such High Arctic Common Shares in Section 3.1 (other than Section 3.1(a)), (iii) will be entitled to be paid the fair value of such High Arctic Common Shares, which fair value will be determined as of the close of business on the day before the Arrangement Resolution was adopted, and (iv) will not be entitled to any other payment or consideration, including any payment that would be payable under the



Arrangement had such holders not exercised their Dissent Rights in respect of such High Arctic Common Shares; or

- (b) are ultimately not entitled, for any reason, to be paid fair value for such High Arctic Common Shares, will be deemed to have participated in the Arrangement as of and from the Effective Time on the same basis as a Participating Shareholder.

## **4.2 Recognition of Dissenting Shareholders**

- (1) In no circumstances will the Parties or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of High Arctic Common Shares in respect of which such Dissent Rights are purported to be exercised.
- (2) From and after the Effective Time, neither High Arctic nor SpinCo nor any other Person will be required to recognize a Dissenting Shareholder as a holder of High Arctic Common Shares or as a holder of any securities of any of High Arctic or SpinCo or any of their respective Subsidiaries and, subject to re-instatement pursuant to Section 4.1(1)(b) above, at the Effective Time, the names of the Dissenting Shareholders will be deleted from the register of holders of High Arctic Common Shares previously maintained or caused to be maintained by High Arctic. In addition to any other restrictions in the Interim Order and under section 191 of the ABCA, for greater certainty, none of the following Persons will be entitled to exercise Dissent Rights: (i) any Person who is not a registered holder of High Arctic Common Shares; and (ii) any holder of New High Arctic Common Shares or Spinco Common Shares.

## **4.3 Dissent Right Availability**

- (1) A registered holder of High Arctic Common Shares will not be entitled to exercise Dissent Rights with respect to High Arctic Common Shares if such registered holder votes (or instructs, or is deemed, by submission of any incomplete proxy, to have instructed his, her or its proxyholder to vote) in favour of the Arrangement Resolution.

## **4.4 Withholding Taxes**

- (1) All payments made to a Dissenting Shareholder pursuant to this Article 4 will be subject to, and paid net of, all applicable withholding taxes pursuant to Section 5.4 of this Plan of Arrangement.

# **ARTICLE 5 - CERTIFICATES AND PAYMENTS**

## **5.1 Entitlement to Share Certificates and Payments**

- (1) Upon the Arrangement becoming effective, from and including the Effective Date, share certificates and/or DRS Advice(s) previously representing High Arctic Common Shares that were exchanged in accordance with the provisions of this Plan of Arrangement will represent the New High Arctic Common Shares and SpinCo Common Shares to be issued to High Arctic Shareholders under this Plan of Arrangement.
- (2) As soon as practicable following the later of the Effective Date and the surrender to the Depositary for cancellation of a certificate and/or DRS Advice that immediately prior to the Effective Time represented outstanding High Arctic Common Shares, together with a duly completed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require and such other documents and instruments as would have been required to effect such transfer under the ABCA, the Securities Transfer Act (Alberta) and the articles of High Arctic, the former holder of such High Arctic Common

Shares shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, or, if requested by such former holder in the Letter of Transmittal, make available for pick up at its offices during normal business hours, the DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares.

- (3) Subject to Section 5.3, until surrendered as contemplated by this Section, each certificate which immediately prior to the Effective Time represented High Arctic Common Shares will be deemed after the time described in Section 5.1(1) to represent only the right to receive from the Depositary upon such surrender the DRS Advices representing the New High Arctic Common Shares and SpinCo Common Shares.
- (4) High Arctic will cause the Depositary, as soon as practicable after the Effective Date, to:
  - (a) forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address specified in the Letter of Transmittal;
  - (b) if requested by such former holder in the Letter of Transmittal make available at the offices of the Depositary specified in the Letter of Transmittal; or
  - (c) if the Letter of Transmittal neither specifies an address as described in 4.1(4)(a) nor contains a request as described in 4.1(4)(b), forward or cause to be forwarded by first class mail (postage paid) to such former holder at the address of such former holder as shown on the applicable securities register maintained by or on behalf of High Arctic immediately prior to the Effective Time;

a DRS Advice representing the New High Arctic Common Shares and a DRS Advice representing the SpinCo Common Shares in accordance with the provisions hereof.

## **5.2 Loss of Certificates**

- (1) If any certificate which immediately prior to the Effective Time represented an interest in outstanding High Arctic Common Shares that were exchanged for New High Arctic Common Shares and SpinCo Common Shares pursuant to the provisions of this Plan of Arrangement has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. The Person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to each of High Arctic and SpinCo and the Depositary, which bond is in form and substance satisfactory to each of High Arctic and SpinCo and their respective transfer agents, or shall otherwise indemnify High Arctic and SpinCo and their respective transfer agents against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

## **5.3 Extinction of Rights**

- (1) If any former High Arctic Shareholder fails to deliver to the Depositary the certificates, documents or instruments required to be delivered to the Depositary under Section 5.1 or Section 5.2 in order for such former High Arctic Shareholder to receive the New High Arctic Common Shares and SpinCo Common Shares which such former holder is entitled to receive pursuant to Section 3.1, on or before the sixth anniversary of the Effective Date, on the sixth anniversary of the Effective Date (i) such former holder will be deemed to have donated and forfeited to High Arctic and SpinCo or their respective successors any New

High Arctic Common Share and SpinCo Common Share held by the Depositary in trust for such former holder to which such former holder is entitled and (ii) any certificate representing High Arctic Common Shares formerly held by such former holder will cease to represent a claim of any nature whatsoever and will be deemed to have been surrendered to High Arctic and SpinCo and will be cancelled. Neither High Arctic nor SpinCo, or any of their respective successors, will be liable to any person in respect of any New High Arctic Common Share or SpinCo Common Share which is forfeited to High Arctic or SpinCo or delivered to any public official pursuant to any applicable abandoned property, escheat or similar Applicable Law.

#### **5.4 Withholding Rights**

- (1) Each of High Arctic and SpinCo (and the Depositary and their Transfer Agents on their behalf) will be entitled to deduct and withhold (or cause to be deducted or withheld) from any amounts payable under this Plan of Arrangement to any Person, including High Arctic Shareholders exercising Dissent Rights, such Taxes or other amounts as each of High Arctic and SpinCo is required or permitted to deduct and withhold with respect to such payment. To the extent that Taxes or other amounts are so withheld, such withheld amounts will be treated for all purposes hereof as having been paid to the Person, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

### **ARTICLE 6 - GENERAL**

#### **6.1 Amendments**

- (1) Subject to compliance with the terms of this Article 6, High Arctic and SpinCo may amend, modify or supplement this Plan of Arrangement at any time provided that each such amendment must be: (i) set out in writing; (ii) approved by the other parties; and (iii) filed with the Court.
- (2) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by High Arctic and SpinCo at any time prior to or at the Meeting (provided that the other parties to the Arrangement Agreement shall have consented thereto) with or without any other prior notice or communication to High Arctic Shareholders, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (3) High Arctic and SpinCo may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting but prior to the Effective Time with the approval of the Court and, if and as required by the Court, after communication to High Arctic Shareholders.
- (4) Any amendment, modification or supplement to this Plan of Arrangement may be made at any time following the Effective Time, but prior to the restatement of the articles of High Arctic and SpinCo, by High Arctic and SpinCo without the approval of the Court, the High Arctic Shareholders or the shareholders of SpinCo, provided that it concerns a matter which, in the reasonable opinion of High Arctic and SpinCo, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement or is not adverse to the financial or economic interests of any holder or former holder of High Arctic Common Shares or any holder of SpinCo Common Shares.

#### **6.2 Further Assurances**

- (1) Notwithstanding that the transactions and events set out herein will occur and will be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties to the Arrangement Agreement will make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.

### **6.3 Paramountcy**

- (1) From and after the Effective Time: (a) this Plan of Arrangement will take precedence and priority over all High Arctic Common Shares outstanding prior to the Effective Time, (b) the rights and obligations of the High Arctic Shareholders, High Arctic, SpinCo, the Depositary, the Transfer Agent and any other registrar or transfer agent or other depositary therefor in relation thereto, will be solely as provided for in this Plan of Arrangement, and (c) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any High Arctic Common Shares will be deemed to have been settled, compromised, released and determined without liability except as set out in this Plan of Arrangement.

### **6.4 Termination**

- (1) Notwithstanding any prior approvals by the Court or by High Arctic Shareholders, the Board may decide not to proceed with the Arrangement and to revoke the Arrangement Resolution at any time prior to the Effective Date, without further approval of the Court or the High Arctic Shareholders. Upon termination of this Plan of Arrangement, no Party will have any liability or further obligation to any other Party or Person hereunder other than as set out in the Arrangement Agreement.

**APPENDIX "A"**

**SpinCo Equity Incentive Plan**

**(see attached)**

**HIGH ARCTIC OVERSEAS HOLDINGS CORP.**  
**OMNIBUS INCENTIVE PLAN**

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## PART I - GENERAL PROVISIONS

### 1. PREAMBLE AND DEFINITIONS

1.1 The Plan described in this document shall be called the "High Arctic Overseas Holdings Corp. Omnibus Incentive Plan".

1.2 The purposes of the Plan are:

- (a) to develop the interest of directors, officers, employees and other eligible service providers in the growth and development of the Corporation by providing them with the opportunity to acquire an increased proprietary interest in the Corporation;
- (b) to promote greater alignment of interests between directors, officers, employees and other eligible service providers and the shareholders of the Corporation;
- (c) to associate a portion of the compensation payable to officers, directors, employees and other eligible service providers with the returns achieved by shareholders of the Corporation; and
- (d) to attract and retain officers, directors, employees and other eligible service providers with the knowledge, experience and expertise required by the Corporation.

### 1.3 Definitions Used Throughout this Plan.

- (a) "**ABCA**" means the Business Corporations Act (Alberta).
- (b) "**Affiliate**" has the meaning set forth in the ABCA.
- (c) "**Applicable Law**" means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder, and Stock Exchange Rules.
- (d) "**Beneficiary**" means, subject to Applicable Law, an individual who has been designated by a Participant, in such form and manner as the Board may determine, to receive benefits payable under the Plan upon the death of the Participant, or, where no such designation is validly in effect at the time of death, the Participant's legal representative.
- (e) "**Blackout Period**" means a period of time when, pursuant to any policies of the Corporation, any securities of the Corporation may not be traded by certain persons as designated by the Corporation, including any holder of a Grant.
- (f) "**Board**" means the Board of Directors of the Corporation.
- (g) "**Business Day**" means a day on which there is trading on the Stock Exchange (or, if the Shares are not then listed and posted for trading on the Stock Exchange, such other stock exchange on which the Shares are then listed and posted for trading, and if none, a day that is not a Saturday or Sunday or a national legal holiday in Canada);
- (h) "**Cause**" shall mean, unless the applicable Grant Agreement states otherwise,
  - (i) if the Participant is a party to an employment or service agreement with the Corporation or its Affiliates and such agreement provides for a definition of cause, the definition contained therein; or



- (ii) if no such agreement exists, or such agreement exists but does not contain a definition of cause, then anything which constitutes just cause for termination of employment at common law including, without limitation: (A) the wilful failure of the Participant to carry out the Participant's duties properly or to comply with the Corporation's rules, policies and practices; (B) improper conduct of the Participant which is materially detrimental to the financial interests of the Corporation; or (C) the conviction of the Participant for fraud, embezzlement or theft.
- (i) **"Change in Control"** means:
  - (i) the acquisition by any "offeror" (as defined in the *Securities Act* (Alberta)) of beneficial ownership of more than 50% of the outstanding voting securities of the Corporation, by means of a take-over bid or otherwise;
  - (ii) any consolidation, reorganization, merger, amalgamation or statutory amalgamation or arrangement of the Corporation with or into another corporation, a separation of the business of the Corporation into two or more entities, or pursuant to which Shares would be converted into cash, securities or other property, other than a merger of the Corporation in which shareholders immediately prior to the merger have the same proportionate ownership of stock of the surviving corporation immediately after the merger;
  - (iii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation;
  - (iv) the approval by the Shareholders of any plan of liquidation or dissolution of the Corporation; or
  - (v) the replacement by way of election or appointment at any time of 50% or more of the total number of the then incumbent members of the Board, unless such election or appointment is approved by 50% or more of the Board in office immediately preceding such election or appointment in circumstances where such election or appointment is to be made other than as a result of a dissident public proxy solicitation, whether actual or threatened.
- (j) **"Consultant"** means an individual or corporation, other than an Executive Officer of the Corporation or an Affiliate, that is engaged to provide consulting, technical, management or other services to the Corporation or an Affiliate under a written consulting agreement;
- (k) **"Corporation"** means High Arctic Overseas Holdings Corp., and includes any successor corporation thereof.
- (l) **"Deferred Share Unit" or "DSU"** means a unit credited by the Corporation to an Eligible Director (as defined herein) by way of a bookkeeping entry in the books of the Corporation, as determined by the Board, pursuant to the Plan.
- (m) **"Director"** means a director of the Corporation from time to time.
- (n) **"Disability"** means:
  - (i) where a Participant has a written employment agreement with the Corporation or an Affiliate and such agreement provides for a definition of disability, the definition contained therein; or

- (ii) if no such agreement exists, or such agreement exists but does not contain a definition of disability, then a Participant's physical or mental incapacity that prevents him/her from substantially fulfilling his or her duties and responsibilities on behalf of the Corporation or, if applicable, an Affiliate, as determined by the Board and, in the case of a Participant who is an employee of the Corporation or an Affiliate, in respect of which the Participant commences receiving, or is eligible to receive, disability benefits under the Corporation's or Affiliate's long-term disability plan.
  - (o) **"Eligible Person"** means any Director, Executive Officer, Employee or Consultant of the Corporation or any Affiliate, including a Service Provider.
  - (p) **"Employed"** means, with respect to a Participant, that:
    - (i) the Participant is rendering services to the Corporation or an Affiliate (excluding services as a Director) including as a Service Provider (referred to in Section (oo) as "active Employment"); or
    - (ii) the Participant is not actively rendering services to the Corporation or an Affiliate due to an approved leave of absence, maternity or parental leave or leave on account of Disability.
    - (iii) For greater certainty, any determination of whether a Participant is Employed on a Vesting Date shall be made without regard to any period of notice, pay in lieu of notice (paid by way of lump sum or salary continuance), benefits continuance or other termination-related payments or benefits to which the Participant may be entitled pursuant to the common law or otherwise, subject only to the express minimum requirements of applicable employment standards legislation.
- and **"Employment"** has the corresponding meaning.
- (q) **"Employee"** means any individual who is an employee of the Corporation or any Affiliate;
  - (r) **"Executive Officer"** means an Employee who is:
    - (i) the president and/or chief executive officer of the Corporation,
    - (ii) a vice-president of the Corporation, orany other Employee which the Board determines, in its sole discretion, is an executive officer or whom the Board believes may have the ability to impact the long-term goals and objectives of the Corporation or its Affiliates, as applicable;
  - (s) **"Exercise Price"** means the price payable by a Participant to purchase one Share on exercise of an Option, which shall not be less than the Market Price.
  - (t) **"Fair Market Value"** of a Share means:
    - (i) where the Shares are not listed on a Stock Exchange, the fair market value of a Share on a particular date shall be the value as determined by the Board in its sole discretion and in good faith; and
    - (ii) where the Shares are listed on a Stock Exchange, the Market Price.

- (u) **"Governmental Authorities"** means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law, rule or regulation-making organizations or entities:
  - (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or
  - (ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.
- (v) **"Grant"** means a grant or right granted under the Plan consisting of one or more Options, RSUs, PSUs or DSUs or such other award as may be permitted hereunder.
- (w) **"Grant Agreement"** means an agreement between the Corporation and a Participant evidencing a Grant and setting out the terms under which such Grant is made, together with such schedules, amendments, deletions or changes thereto as are permitted under the Plan.
- (x) **"Grant Date"** means the effective date of a Grant.
- (y) **"Insider"** has the meaning set out in the TSX Company Manual.
- (z) **"Market Price"** means the volume weighted average trading price per share for the Shares on the Stock Exchange for the five (5) consecutive trading days ending on the last trading day preceding the applicable day.
- (aa) **"Misconduct"** means
  - (i) serious misconduct, including conduct which has a significant negative impact on the reputation or operations of the Corporation or its Affiliates;
  - (ii) fraud;
  - (iii) a material breach of the terms of employment or engagement, including wilful breach of the provisions of applicable Corporation policies in effect from time to time; or
  - (iv) failure or wilful refusal to substantially perform the employee's duties and responsibilities or, if a director, act in accordance with a director's fiduciary obligations;
- (bb) **"Option"** means an option to purchase a Share granted by the Board to an Eligible Person in accordance with Section 3 and Section 9.1.
- (cc) **"Participant"** means an Eligible Person to whom a Grant is made and which Grant or a portion thereof remains outstanding.
- (dd) **"Performance Conditions"** means such financial, personal, operational or transaction-based performance criteria as may be determined by the Board in respect of a Grant to any Participant or Participants and set out in a Grant Agreement. Performance Conditions may apply to the Corporation, an Affiliate, the Corporation and its Affiliates as a whole, a business unit of the Corporation or group comprised of the Corporation and some Affiliates or a group of Affiliates, either individually, alternatively or in any combination, and measured either in total, incrementally or cumulatively over a specified performance period,

on an absolute basis or relative to a pre-established target or milestone, to previous years' results or to a designated comparator group, or otherwise, and may incorporate multipliers or adjustments based on the achievement of any such performance criteria.

- (ee) **"Performance Share Unit" or "PSU"** means a right granted to an Eligible Person in accordance with Section 3.1(c) and (d) and Section 12.1 to receive a Share or the Market Price, as determined by the Board, that generally becomes Vested, if at all, subject to the attainment of certain Performance Conditions and satisfaction of such other conditions to Vesting, if any, as may be determined by the Board.
- (ff) **"Person"** means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, Governmental Authority, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.
- (gg) **"Plan"** means this High Arctic Overseas Holdings Corp. Omnibus Incentive Plan, including any schedules or appendices hereto, as may be amended from time to time.
- (hh) **"Restricted Share Unit" or "RSU"** means a right granted to an Eligible Person in accordance with Section 3.1(c) and (d) and Section 12.1 to receive a Share or the Market Price, as determined by the Board, that generally becomes Vested, if at all, following a period of continuous Employment of the Participant.
- (ii) **"Service Provider"** means a person or company, other than an employee, officer or director of the Corporation or an Affiliate, that:
  - (i) is engaged to provide, on a bona fide basis, for an initial, renewable or extended period of twelve (12) months or more, services to the Corporation or an Affiliate;
  - (ii) provides the services under a written contract between the Corporation or an Affiliate and the person or company; and
  - (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate.
- (jj) **"Share"** means a common share in the capital of the Corporation or, in the event of an adjustment contemplated by Section 6.1, such other security to which a Participant may be entitled upon the exercise or settlement of a Grant as a result of such adjustment.
- (kk) **"Share Unit"** means either an RSU or a PSU, as the context requires.
- (ll) **"Shareholder"** means a holder of one or more Shares.
- (mm) **"Stock Exchange"** means the Toronto Stock Exchange or such other stock exchange on which the Shares are listed, or if the Shares are not listed on any stock exchange, then on the over-the-counter market.
- (nn) **"Stock Exchange Rules"** means the applicable rules of any Stock Exchange upon which Shares are listed, which, for certainty, includes the TSX Venture Exchange's *Corporate Finance Manual* if the Shares are listed on the TSX Venture Exchange.
- (oo) **"Tax Act"** means the *Income Tax Act* (Canada) and the regulations thereto, as amended from time to time.

- (pp) **"Termination"** means (i) the termination of a Participant's Employment with the Corporation or an Affiliate (other than in connection with the Participant's transfer to Employment with the Corporation or another Affiliate), which shall occur on the earlier of the date on which the Participant ceases to render services to the Corporation or Affiliate, as applicable, and the date on which the Corporation or an Affiliate, as applicable, delivers notice of the termination of the Participant's employment or contract for services, whether such termination is lawful or otherwise, without giving effect to any period of notice or pay in lieu of notice (paid by way of lump sum or salary continuance), benefits continuance or other termination-related payments or benefits to which the Participant may be entitled pursuant to the common law or otherwise (except as expressly required by applicable employment standards legislation), but, for greater certainty, a Participant's absence from active work during a period of vacation, temporary illness, authorized leave of absence, maternity or parental leave or leave on account of Disability shall not be considered to be a "Termination", and (ii) in the case of a Participant who does not return to active Employment with the Corporation or an Affiliate immediately following a period of absence due to vacation, temporary illness, authorized leave of absence, maternity or parental leave or leave on account of Disability, such cessation shall be deemed to occur on the last day of such period of absence, and **"Terminated"** and **"Terminates"** shall be construed accordingly.
- (qq) **"Termination Date"** means, in relation to a Participant, that date on which the Participant is Terminated.
- (rr) **"Time Vesting"** means any conditions relating to the passage of time or continued service with the Corporation or an Affiliate for a period of time in respect of a Grant, as may be determined by the Board.
- (ss) **"Trading Day"** means a day on which the Stock Exchange is open for trading and on which the Shares actually traded.
- (tt) **"TSX"** means the Toronto Stock Exchange.
- (uu) **"Vested"** means, with respect to any Option, Share Unit or other award included in a Grant, that the applicable conditions with respect to Time Vesting, achievement of Performance Conditions and/or any other conditions established by the Board have been satisfied or, to the extent permitted under the Plan, waived (and **"Vesting"** and any other applicable derivative term shall be construed accordingly).
- (vv) **"Vesting Date"** means the date on which the applicable Time Vesting, Performance Conditions and/or any other conditions for an Option, Share Unit or other award included in a Grant becoming Vested are met, deemed to have been met or waived as contemplated in Section (uu).

## 2. CONSTRUCTION AND INTERPRETATION

**2.1** As used in this Plan, words importing the masculine gender shall include the feminine and neuter genders and words importing the singular shall include the plural and vice versa, unless the context otherwise requires and references to a person includes any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation (with or without share capital), unincorporated association, trust, trustee, executor, administrator or other legal representative.

**2.2** If any provision or part of the Plan is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.

**2.3** The headings of the articles, sections and clauses are inserted herein for convenience of reference only and shall not affect the meaning of construction thereof. A reference to a section or schedule shall, except where expressly stated otherwise, mean a section or schedule of the Plan, as applicable.

**2.4** Unless otherwise specified, time periods wherein, or following which, any payment (whether in cash or Shares) is to be made or any act is to be done, shall be calculated by excluding the day on which the period begins, including the day on which the period ends, and abridging the period to the immediately preceding Business Day in the event that the last day of the period is not a Business Day. In the event an action is required to be taken or a payment (whether in cash or Shares) is required to be made on a day which is not a Business Day, such action shall be taken or such payment shall be made on the immediately preceding Business Day.

### **3. ADMINISTRATION**

**3.1** The Plan shall be administered by the Board, or any committee established by the Board for the purpose of administering the Plan, in accordance with its terms and subject to Applicable Law. Subject to and consistent with the terms of the Plan, in addition to any authority of the Board specified under any other terms of the Plan, the Board shall have full and complete discretionary authority to:

- (a) interpret the Plan and Grant Agreements;
- (b) prescribe, amend and rescind such rules and regulations and make all determinations necessary or desirable for the administration and interpretation of the Plan and instruments of grant evidencing Grants;
- (c) determine those Eligible Persons who may receive Grants as Participants, grant one or more Grants to such Participants and approve or authorize the applicable form and terms of the related Grant Agreement;
- (d) determine the terms and conditions of Grants granted to any Participant, including, without limitation, as applicable (i) the value of a Grant and the number of Shares subject to a Grant, (ii) the Exercise Price for Shares subject to an Option, (iii) the conditions of Vesting of a Grant or any portion thereof, including, as applicable, the period for achievement of any applicable Performance Conditions as a condition to Vesting, and the conditions, if any, upon which Vesting of any Grant or any portion thereof will be waived or accelerated without any further action by the Board, (iv) the circumstances upon which a Grant or any portion thereof shall be forfeited, cancelled or expire, (v) the consequences of a Termination with respect to a Grant, (vi) the manner of exercise or settlement of the Vested portion of a Grant, (vii) whether, and the terms upon which, a Grant may be settled in cash, Shares or a combination thereof, and (viii) whether, and the terms upon which, any Shares delivered upon exercise or settlement of a Grant must be held by a Participant for any specified period of time;
- (e) determine whether, and the extent to which, any Performance Conditions or other conditions applicable to the Vesting of a Grant have been satisfied or shall be waived or modified;
- (f) make such rules, regulations and determinations as it deems appropriate under the Plan in respect of any leave of absence or Disability of any Participant. Without limiting the generality of the foregoing, the Board shall be entitled to determine:
  - (i) whether or not any such leave of absence shall constitute a Termination within the meaning of the Plan;

- (ii) the impact, if any, of any such leave of absence on Grants issued under the Plan made to any Participant who takes such leave of absence (including, without limitation, whether or not such leave of absence shall cause any Grants to expire and the impact upon the time or times such Grants shall be exercisable);
- (g) amend the terms of any Grant Agreement or other documents evidencing Grants;
- (h) determine whether, and the extent to which, adjustments shall be made pursuant to Section 6 and the terms of such adjustments;
- (i) correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it considers necessary or advisable for the proper implementation and administration of the Plan; and
- (j) make all other determinations and take all other actions as it considers necessary or advisable for the implementation and administration of the Plan.

**3.2** All determinations, interpretations, rules, regulations, or other acts of the Board respecting the Plan or any Grant shall be made in its sole discretion are final, conclusive and binding on the Corporation, the Participants, any Beneficiary and all other persons.

**3.3** Each Participant shall provide the Corporation and the Board with all information (including "personal information" as defined in the *Personal Information Protection and Electronic Documents Act* (Canada) or any applicable provincial privacy legislation) they require in order to administer the Plan or to permit the Participant to participate in the Plan (the "**Participant Information**"). The Corporation and the Board may from time to time transfer or provide access to the Participant Information to a third party service provider for purposes of the administration of the Plan provided that such service providers will be provided with such information for the sole purpose of providing services to the Corporation in connection with the operation and administration of the Plan and provided further that such service provider agrees to take appropriate measures to protect the Participant Information and not to use it for any purpose except to administer or operate the Plan. The Corporation may also transfer and provide access to Participant Information to its Affiliates for purposes of preparing financial statements or other necessary reports and facilitating payment or reimbursement of Plan expenses. In addition, Participant Information may be disclosed or transferred to another party during the course of, or completion of, a change in ownership of, or the grant of a security interest in, all or a part of the Corporation or its Affiliates, provided that such party is bound by appropriate agreements or obligations and required to use or disclose the Participant Information in a manner consistent with this Section 3.3. The Corporation shall not disclose Participant Information except as contemplated in this Section 3.3 or in response to regulatory filings or other requirements for the information by a Governmental Authority or regulatory body or a self-regulatory body in which the Corporation participates in order to comply with Applicable Law or for the purpose of complying with a subpoena, warrant or other order by a court, person or body having jurisdiction over the Corporation to compel production of the information. By participating in the Plan, each Participant acknowledges that Participant Information may be so provided as set forth above and agrees and consents to its provision on the terms set forth herein.

**3.4** The Board may prescribe terms for Grant Agreements in respect of Eligible Persons who are subject to the laws of a jurisdiction other than Canada in connection with their participation in the Plan that are different than the terms of the Grant Agreements for Eligible Persons who are subject to the laws of Canada in connection with their participation in the Plan, and/or deviate from the terms of the Plan set out herein, for purposes of compliance with Applicable Law in such other jurisdiction or where, in the Board's opinion, such terms or deviations are necessary or desirable to obtain more advantageous treatment for the Corporation, an Affiliate or the Eligible Person in respect of the Plan under the Applicable Law of the other jurisdiction.

**3.5** Notwithstanding the foregoing, the terms of any Grant Agreement authorized pursuant to this Article 3 shall be consistent with the Plan to the extent practicable having regard to the Applicable Law of the

jurisdiction in which such Grant Agreement is applicable and in no event shall contravene the Applicable Law of Canada.

**3.6** The Board may, in its discretion, subject to Applicable Law, delegate any or all of its administrative responsibilities under the Plan and powers related thereto to one or more persons including, without limitation, an officer of the Corporation or a committee of the Board (the "**Administrator**"), and all actions taken and decisions made by such Administrator in this regard shall be final, conclusive, and binding on all parties concerned, including but not limited to, the Corporation, the Participants, and any Beneficiary. Should the Board delegate its administrative responsibilities under the Plan to an Administrator, all references to "Board" throughout this Plan shall be read as "Administrator", as applicable.

#### **4. SHARE RESERVE**

**4.1** Subject to Section 5 and any adjustment pursuant to Section 6.1, the aggregate number of Shares that may be issued pursuant to Grants made under the Plan together with all other security-based compensation arrangements of the Corporation shall be a number equal to 10% of the aggregate number of issued and outstanding Shares from time to time.

**4.2** For purposes of computing the total number of Shares available for grant under the Plan or any other security based compensation arrangement of the Corporation, Shares subject to any Grant (or any portion thereof) that is forfeited, surrendered, cancelled or otherwise terminated, prior to the issuance of such Shares shall again be available for grant under the Plan.

**4.3** For greater certainty, any increase in the issued and outstanding Shares (whether it is a result of exercise of Options or settlement of Share Units or otherwise) will result in an increase in the number of Shares that may be issued pursuant to Share Units outstanding at any time and any increase in the number of Share Units granted will, upon the issue of Shares pursuant thereto, make new grants available under this Plan.

**4.4** The Corporation shall at all times during the term of the Plan reserve and keep available such numbers of Shares as will be sufficient to satisfy the requirements of the Plan.

#### **5. LIMITATION ON GRANTS**

**5.1 To Insiders as a group at any point in time.** The aggregate number of Shares that are issuable pursuant to Grants to Insiders as a group pursuant to the Plan and any other security-based compensation arrangement of the Corporation at any point in time must not exceed 10% of the total number of issued and outstanding Shares.

**5.2 To Insiders as a group within a 12-month period.** The aggregate number of Shares that are issuable pursuant to all Grants to Insiders as a group pursuant to the Plan and any other security-based compensation arrangement of the Corporation in a twelve (12) month period must not exceed 10% of the total number of issued and outstanding Shares, calculated on the date of Grant to any Insider.

**5.3 To any one Person.** The aggregate number of Shares that are issuable pursuant to all Grants to any one Person (and companies wholly owned by that Person) pursuant to the Plan and any other security-based compensation arrangement of the Corporation in a twelve (12) month period must not exceed 10% of the issued and outstanding Shares, calculated on the date of Grant to the Person.

**5.4** The Corporation's right to elect to satisfy the settlement of Grants by the issuance of Shares from treasury will be effective only upon receipt of all necessary shareholder approvals of the Plan, as amended from time to time, as required by the rules, regulations and policies of the Stock Exchange and any other stock exchange on which the Shares are listed or traded.



## **6. ALTERATION OF CAPITAL AND CHANGE IN CONTROL**

**6.1** Notwithstanding any other provision of the Plan, and subject to Applicable Law, in the event of any subdivision, consolidation, stock dividend, capital reorganization, reclassification, exchange, or other change with respect to the Shares, or a consolidation, amalgamation, merger, spin-off, sale, lease or exchange of all or substantially all of the property of the Corporation or other distribution of the Corporation's assets to shareholders of the Corporation (other than the payment of ordinary course cash or stock dividends in respect of the Shares), if the Board shall determine that an equitable adjustment should be made, such adjustment shall, subject to Applicable Law (for certainty, including approval of the Stock Exchange if required), be made by the Board to (i) the number of Shares issuable pursuant to the Grant Agreement; (ii) the securities into which the Shares are changed or are convertible or exchangeable; (iii) any Options then outstanding; (iv) the Exercise Price, as appropriate in respect of such Options; and/or (v) with respect to the number of Share Units and/or DSUs outstanding under the Plan, and any such adjustment shall be final, binding and conclusive for all purposes of the Plan.

Notwithstanding the foregoing, should changes be required to the Plan by any securities commission, the Stock Exchange or any other Governmental Authority of any jurisdiction to which the Plan or the Corporation now is or hereafter becomes subject, such changes shall be made to the Plan as are necessary to conform with such requirements and, if such changes are approved by the Board, the Plan, as amended, shall be filed with the records of the Corporation and shall remain in full force and effect in its amended form as of and from the date of its adoption by the Board.

No adjustment provided for pursuant to this Section 6.1 shall require the Corporation to issue fractional Shares in satisfaction of its obligations under the Plan. Any fractional interest in a Share that would, except for the provisions of this Section 6.1, be deliverable upon the exercise of any Grant shall be cancelled and not deliverable by the Corporation.

**6.2** In the event of a Change in Control, or a determination by the Board that a Change in Control is expected to occur, prior to the Vesting of a Grant, and subject to the terms of a Participant's written employment agreement or contract for services with the Corporation or an Affiliate and the applicable Grant Agreement, the Board shall have the authority and sole discretion to take all necessary steps so as to ensure the preservation of the economic interests of the Participants in, and to prevent the dilution or enlargement of, any Grant including, without limitation and subject to Applicable Law:

- (a) provide for the acceleration of any Vesting or exercisability of a Grant;
- (b) provide for the deemed attainment of Performance Conditions relating to a Grant;
- (c) provide for the lapse of restrictions relating to a Grant;
- (d) provide for the assumption, substitution, replacement or continuation of any Grant by a successor or surviving corporation (or a parent or subsidiary thereof) with cash, securities, rights or other property to be paid or issued, as the case may be, by the successor or surviving corporation (or a parent or subsidiary thereof);
- (e) provide that a Grant shall terminate or expire unless exercised or settled in full on or before a date fixed by the Board; or
- (f) terminate or cancel any outstanding Grant in exchange for a cash payment (provided that, if as of the date of the Change in Control, the Board determines that no amount would have been realized upon the exercise or settlement of the Grant, then the Grant may be cancelled by the Corporation without payment of consideration).

## 7. MISCELLANEOUS

**7.1 Withholdings.** So as to ensure that the Corporation or an Affiliate, as applicable, will be able to comply with the applicable obligations under any federal, provincial, state or local law relating to the withholding of tax or other required deductions ("**Withholding Taxes**"), the Corporation or the Affiliate may withhold or cause to be withheld from any amount payable to a Participant, either under the Plan, or otherwise, such amount as may be necessary to permit the Corporation or the Affiliate, as applicable, to so comply and may take such other action that the Corporation deems necessary to satisfy all obligations for the payment of such statutory withholdings. Without limiting the generality of the foregoing, the Corporation and any Affiliate may satisfy any liability for any such withholding obligations, on such terms and conditions as the Corporation may determine in its sole discretion, by:

- (a) deducting and withholding additional amounts from other amounts payable to a Participant;
- (b) selling on such Participant's behalf, or requiring such Participant to sell, any Shares, and retaining any amount payable which would otherwise be provided or paid to such Participant in connection with any such sale, or
- (c) requiring, as a condition to the delivery of Shares hereunder, that such Participant make such arrangements as the Corporation may require so that the Corporation and its Affiliates can satisfy such withholding obligations, including requiring such Participant to remit an amount to the Corporation or an Affiliate in advance, or reimburse the Corporation or any Affiliate for, any such withholding obligations, subject to the policies of the Stock Exchange.

**7.2 No Right to Continued Employment.** Nothing in the Plan or in any Grant Agreement entered into pursuant hereto shall confer upon any Participant the right to continue in the employ or service of the Corporation or any Affiliate, to be entitled to any remuneration or benefits not set forth in the Plan or a Grant Agreement or to interfere with or limit in any way the right of the Corporation or any Affiliate to terminate Participant's employment or service arrangement with the Corporation or any Affiliate without liability for the effect which such dismissal or termination might have upon a Participant other than as expressly provided for herein. No reasonable notice or payment in lieu thereof will extend the period of employment or engagement as a Consultant for purposes of the Plan.

**7.3 No Shareholder Rights.** Grants of Options, Share Units or DSUs are not Shares and under no circumstances shall such Grants entitle any Participant to any shareholder rights, including, without limitation, voting rights, dividend entitlement or rights on liquidation, nor shall any Participant be considered the owner of Shares by virtue of a Grant of Options, Share Units or DSUs. The Plan shall be unfunded (including for tax purposes) and the Corporation will not secure its obligations under the Plan. To the extent any Participant or his Beneficiary holds any rights by virtue of a Grant under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Corporation.

**7.4 No Additional Rights.** Neither the designation of an individual as a Participant nor the Grant of any Options, Share Units, DSUs or other award to any Participant entitles any person to the Grant, or any additional Grant, as the case may be, of any Options, Share Units, DSUs or other award under the Plan. For greater certainty, the Board's decision to approve a Grant in any period shall not require the Board to approve a Grant to any Participant in any other period; nor shall the Board's decision with respect to the size or terms and conditions of a Grant in any period require it to approve a Grant of the same or similar size or with the same or similar terms and conditions to any Participant in any other period. The Board shall not be precluded from approving a Grant to any Participant solely because such Participant may have previously received a Grant under the Plan or any other similar compensation arrangement of the Corporation or an Affiliate. No Eligible Person has any claim or right to receive a Grant except as may be provided in a written employment or services agreement between an Eligible Person and the Corporation or an Affiliate.

**7.5 Liability.** None of the Corporation, the Board, the Administrator or any person acting on their direction or authority shall be liable for anything done or omitted to be done by such person with respect to the price, time, quantity or other conditions and circumstances of the issuance or purchase of Shares under the Plan or with respect to any fluctuations in the Market Price of the Shares or in any other connection under the Plan. To the fullest extent permitted by law, the Corporation shall indemnify and save harmless each person made, or threatened to be made, a party to any action or proceeding in respect of the Plan by reason of the fact that such person is or was a member of the Board (or otherwise an officer or member of a committee of the Board where the Board has designated such person as an Administrator hereunder).

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of Shares which impacts any Grants, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. The Corporation makes no representations or warranties to a Participant with respect to the Plan or the Grants granted whatsoever. In seeking the benefits of participation in the Plan, a Participant agrees to exclusively accept all risks associated with a decline in the Market Price of Shares and all other risks associated with the holding of Grants.

**7.6 Voluntary Participation.** Participation in the Plan is entirely voluntary and is not obligatory and shall not be interpreted as conferring on such Participant any rights or privileges other than those expressly provided for herein.

**7.7 Amendment, Suspension, Termination.**

- (a) The Board may terminate or discontinue the Plan at any time without the consent of the Participants provided that such termination or discontinuance shall not alter or impair any Grants previously granted under the Plan or which would cause the Plan, or any Share Units granted hereunder, to cease to comply with paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the Tax Act or any successor provision thereto.
- (b) No amendment of the Plan may contravene the requirements of the Stock Exchange or any securities commission or regulatory body to which the Plan or the Corporation is now or may hereafter be subject to or cause the Plan, or any Grants hereunder, to cease to comply with Applicable Law.
- (c) The Board may by resolution amend this Plan and Grants issued thereunder without shareholder approval to the extent that such amendments relate to among other things:
  - (i) changing the termination provisions of a Grant, provided that the change does not entail an extension beyond the original expiry date;
  - (ii) determining the adjustment provisions pursuant to the Plan;
  - (iii) altering, extending or accelerating the terms of vesting or the conditions to vesting applicable to any Grant;
  - (iv) ensure that Share Units granted under the Plan will comply with any provisions respecting share units or other security based compensation arrangements in the Tax Act or other Applicable Law in force in any country or jurisdiction of which a Participant to whom a Share Unit has been granted may from time to time perform services or be resident;
  - (v) make amendments of a procedural or "housekeeping" nature;
  - (vi) amending or modifying the mechanics of exercising an entitlement pursuant to a Grant; and

- (vii) suspending or terminating the Plan.
- (d) The Board may amend any particular Grant with the consent of the affected Participant and the Stock Exchange, if required, including any shareholder approval required by the Stock Exchange. If the amendment of a Grant requires shareholder approval under Applicable Law, such amendment may be made prior to such approvals being given, but no such amended Grant may be exercised or settled unless and until such approvals are given.

**7.8 Misconduct.** Subject to the terms of the relevant Grant Agreement and any other binding agreement between the Participant and the Corporation, and unless otherwise determined by the Board, if it is determined that there has been Misconduct by a Participant:

- (a) any Share Units which remain unvested prior to the determination date of such Misconduct, including dividend equivalents in respect of such Share Units, shall not vest and all such Share Units shall be forfeited and cancelled immediately; and
- (b) any Deferred Share Units accumulated and remaining on a Participant's Account as at the determination date of such Misconduct, including dividend equivalents in respect of such Deferred Share Units, shall be forfeited and cancelled immediately.

This Plan and any actions hereunder will be subject to application of any clawback or similar policies of the Corporation in effect at the applicable time and from time to time.

**7.9 Compliance with Applicable Law.**

- (a) The Plan, any Grants, and the exercise or settlement of any Grants and the Corporation's obligation to sell, issue and deliver any Shares upon exercise or settlement of any Grants shall be subject to all Applicable Law and to such approvals by any Governmental Authority as may be required. The Corporation shall not be obligated by the existence of the Plan or any provision of the Plan or the grant, settlement or exercise of Grants hereunder to sell, issue or deliver Shares upon exercise or settlement of Grants in violation of such laws, policies, rules and regulations or any condition or requirement of such approvals.
- (b) No Grants shall be granted and no Shares sold, issued or delivered hereunder where such grant, sale, issue or delivery would require registration or other qualification of the Plan or of the Shares under Applicable Law, and any purported Grant or any sale, issue and delivery of Shares hereunder in violation of this provision shall be void. In addition, the Corporation shall have no obligation to sell, issue or deliver any Shares hereunder unless such Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Shares are listed for trading.
- (c) Any Shares sold, issued and delivered to Participants pursuant to the exercise or settlement of Grants shall be subject to restrictions on resale and transfer under Applicable Law (including any required hold periods imposed in relation to grants to Insiders or promoters) or other markets on which the Shares are listed or quoted for trading, and any certificates representing such Shares shall bear, as required, a restrictive legend in respect thereof.
- (d) To the extent that applicable Stock Exchange requirements require shareholder approval, any Grants hereunder will be subject to obtaining such shareholder approval as required by applicable Stock Exchange requirements. If any Shares cannot be issued to any Participant for any reason, including, without limitation, the failure to obtain any such approval, then the obligation of the Corporation to issue such Shares shall terminate and

any Exercise Price paid by Participant to the Corporation shall be immediately refunded to the Participant by the Corporation.

**7.10 Currency.** Except where the context otherwise requires, all references in the Plan to currency refer to lawful Canadian currency. All payments and benefits under the Plan shall be determined and paid in the lawful currency of Canada. Any amounts required to be determined under the Plan that are denominated in a currency other than Canadian dollars shall be converted to Canadian dollars at the applicable Bank of Canada noon rate of exchange on the date as of which the amount is required to be determined.

**7.11 Administration Costs.** The Corporation will be responsible for all costs relating to the administration of the Plan.

**7.12 Designation of Beneficiary.** Subject to the requirements of Applicable Law, a Participant may designate in writing a Beneficiary to receive any benefits that are payable under the Plan upon the death of such Participant. The Participant may, subject to Applicable Law, alter or revise such designation from time to time. The original designation or any change thereto shall be in the form as the Board may, from time to time, determine. A Beneficiary designation under this Section 7.12 and any subsequent changes thereto shall be filed with the Chief Executive Officer of the Corporation or the Administrator.

**7.13 Governing Law.** The Plan and any Grants pursuant to the Plan shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. Any reference in the Plan, in any Grant Agreement issued pursuant to the Plan or in any other agreement or document relating to the Plan to a provision of law or rule or regulation shall be deemed to include any successor law, rule or regulation of similar effect or applicability.

**7.14 Assignability.** The Plan shall inure to the benefit of and be binding upon the Corporation, its successors and assigns.

**7.15 Non-Transferability.** Unless otherwise provided in the Plan or in the applicable Grant Agreement, no Grant, and no rights or interests therein, shall or may be assigned, transferred, sold, exchanged, encumbered, pledged or otherwise hypothecated or disposed of by a Participant other than by testamentary disposition by the Participant or the laws of intestate succession, subject to the policies of the Stock Exchange. No such interest shall be subject to execution, attachment or similar legal process including without limitation seizure for the payment of the Participant's debts, judgments, alimony or separate maintenance.

## **8. EFFECTIVE DATE**

**8.1** This Plan shall take effect on the Effective Date as such term is defined in the Arrangement Agreement dated May 9, 2024 entered into between the Corporation and High Arctic Energy Services Inc. The issuance of Grants under the Plan is subject to acceptance of the Plan by the Stock Exchange, if required, and any other relevant regulatory authorities and approval of the Shareholders.

## **PART II - OPTIONS**

### **9. OPTION GRANTS AND PROVISIONS**

**9.1** The Corporation may, from time to time, make one or more Grants of Options to Eligible Persons on such terms and conditions, consistent with the Plan, as the Board shall determine. In granting such Options, subject to the provisions of the Plan, the Board shall specify,

- (a) the maximum number of Shares which the Participant may purchase under the Options;
- (b) the Exercise Price at which the Participant may purchase his or her Shares under the Options; and

- (c) the term of the Options, to the maximum term permitted by the Stock Exchange from the Grant Date of the Options, the Vesting period or periods within this period during which the Options or a portion thereof may be exercised by a Participant and any other Vesting conditions.

**9.2** The Exercise Price for each Share subject to an Option shall be determined by the Board, subject to Stock Exchange approval as required, but under no circumstances shall any Exercise Price be less than the Market Price for the Shares at the date of grant.

**9.3** The Board shall determine the manner in which an Option shall vest and become exercisable as set forth in the applicable Grant Agreement as well as the expiry date, subject to the condition that the expiry of any Option shall not exceed the maximum term permitted by the Stock Exchange. Should the expiry date of an option fall within a Blackout Period or within nine Business Days following the expiration of a Blackout Period, such expiry date of the option shall be automatically extended without any further act or formality to that date which is the tenth Business Day after the end of the Blackout Period, such tenth Business Day to be considered the expiry date for such Option for all purposes under the Plan. The ten Business Day period referred to in this section may not be extended by the Board.

**9.4** Subject to the provisions of the Plan and the terms governing the granting of the Option, and subject to payment or other satisfaction of all related withholding obligations in accordance with Section 7.1, Vested Options or a portion thereof may be exercised from time to time by delivery to the Corporation at its registered office of a notice in writing signed by the Participant or the Participant's legal personal representative, as the case may be, and addressed to the Corporation ("**Exercise Notice**"). The Exercise Notice shall state the intention of the Participant or the Participant's legal personal representative to exercise the said Options and the number of Shares in respect of which the Options are then being exercised and must be accompanied by payment in full of the Exercise Price under the Options which are the subject of the exercise.

**9.5** The Board may from time to time, in its sole discretion, permit Options to be surrendered, unexercised, to the Corporation in consideration of the receipt by the Participant of an amount equal to the difference, if any, between the aggregate Fair Market Value of the Shares purchasable pursuant to the exercisable portion of such option on the date of the surrender and the aggregate exercise price with respect to such Shares pursuant to such option (the "**Net Share Exercise Right**").

**9.6** If permitted by the Corporation, the Exercise Notice may also be accompanied by the Participant's election to provide payment in full of the aggregate Exercise Price and any Applicable Withholding Taxes in respect of the vested Options being exercised pursuant to a broker-assisted cashless exercise whereby the Participant or his or her legal representative shall elect on the Exercise Notice to receive: (i) an amount in cash equal to the cash proceeds realized upon the sale in the capital markets of the Shares underlying the vested Options by a securities dealer designated by the Corporation, less the aggregate Exercise Price, any Applicable Withholding Taxes, and any transfer costs charged by the securities dealer to sell the Shares; (ii) an aggregate number of Shares that is equal to the number of Shares underlying the vested Options minus the number of Shares sold in the capital markets by a securities dealer designated by the Corporation as required to realize cash proceeds equal to the aggregate Exercise Price, any Applicable Withholding Taxes and any transfer costs charged by the securities dealer to sell the Shares; or (iii) a combination of (i) and (ii).

**9.7** No person entitled to exercise any option granted under the Plan shall have any of the rights or privileges of a shareholder of the Corporation in respect of any Shares issuable upon exercise of such option until certificates representing such Shares shall have been issued and delivered.

**9.8** The ability of a Participant to exercise Options and the obligation of the Corporation to issue and deliver Shares in accordance with the Plan is subject to any approvals which may be required from shareholders of the Corporation and any Governmental Authority or Stock Exchange having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any Participant for whatever

reason, the obligation of the Corporation to issue such Shares shall terminate and any Exercise Price paid to the Corporation will be returned to the Participant.

#### **10. CEASING TO BE A DIRECTOR, OFFICER, EMPLOYEE OR CONSULTANT**

**10.1** Subject to the applicable Grant Agreement, if a Participant shall cease to be a Director, Officer, Employee, Consultant or Service Provider of the Corporation or its Affiliates, for any reason (other than Termination for Cause or death, or Disability), such Participant may exercise his Option to the extent that the Participant was entitled to exercise it at the date of such cessation, provided that such exercise must occur by the close of business on the date which is 90 days after the Termination Date.

**10.2** Notwithstanding Section 11.1, but subject to the applicable Grant Agreement, in the event that a Participant who is an Employee is terminated by the Corporation for Cause (as defined below), all unvested Options and any Options that have not yet been exercised, shall be cancelled and of no further effect as of the Participant's Termination Date (as defined below).

**10.3** Unless otherwise provided in a Grant Agreement, in the event that an Option holder's service terminates as a result of Disability, any Option held by the Option holder shall continue to vest in accordance with its terms and may be exercised or surrendered in accordance with Section 10 at any time until the Option's expiry date.

**10.4** For greater certainty, a Participant shall have no right to receive Shares or a cash payment, as compensation, damages or otherwise, with respect to any Options that do not become Vested or that are not exercised before the date on which the Options expire.

#### **11. DEATH OF A PARTICIPANT**

**11.1** In the event of the death of a Participant, the Option previously granted to such Participant shall be exercisable only within the one (1) year after the date of death, and then only:

- (a) by the Person or Persons to whom the Participant's rights under the Option shall pass by the Participant's will or the laws of descent and distribution; and
- (b) if and to the extent the Participant was entitled to exercise the Option at the date of the Participant's death.

### **PART III - SHARE UNITS**

#### **12. GRANT OF SHARE UNITS**

**12.1** The Board may from time to time grant Share Units, which upon issuance shall be designated as either Performance Share Units or Restricted Share Units, to a Participant in such numbers, at such times and on such terms and conditions, consistent with the Plan, as the Board may in its sole discretion determine; provided, however, that no Share Units will be granted after December 15 of a given calendar year.

For greater certainty, the Board shall, in its sole discretion, determine any and all conditions of Vesting of any Share Units granted to a Participant, which vesting conditions may be based on either or both of:

- (a) the Participant's continued employment with, or provision of consulting services to, the Corporation or an Affiliate; and
- (b) such other terms and conditions as the Board may determine in accordance with Section 12.2, including, without limitation, the satisfaction of certain Performance Conditions,

provided that no vesting condition for a Share Unit granted to a Participant shall extend beyond December 15 of the third calendar year following the service year in respect of which the Share Units were granted, and all vesting conditions for a Share Unit granted to an Executive Officer shall be such that the Share Unit complies at all times with the exception in paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the Tax Act.

**12.2** Subject to the terms of the Plan, the Board may stipulate additional terms and conditions applicable to a particular grant of Share Units, which shall be specified in the applicable Grant Agreement. The additional terms and conditions may apply to all or a portion of the Share Units granted to a particular Participant, and may provide for graduated vesting contingent upon the satisfaction of certain conditions (where such graduated vesting may be in the form of different percentages which may be greater or lesser than 100%). The Board may, in its discretion, subsequent to the Grant Date of a Share Unit, waive any such term or condition included in a Grant Agreement, or determine that such terms and conditions have been satisfied, subject to Applicable Law. For greater certainty, no term or condition imposed under a Grant Agreement may have the effect of causing settlement and payout of a Share Unit to occur after December 31 of the third calendar year.

**12.3** No certificates shall be issued with respect to Share Units.

**12.4** The Board shall keep or cause to be kept such records and accounts as may be necessary or appropriate in connection with the administration of the Plan and the discharge of its duties, which records shall, absent manifest error, be considered conclusively determinative of all information contained therein.

**12.5** The Corporation shall maintain in its books an Account for each Participant recording at all times the number of Share Units standing to the credit of such Participant. Share Units that (i) fail to vest in a Participant pursuant to the provisions of the Plan or Grant Agreement, or (ii) that are paid out to the Participant or his Beneficiary, shall be cancelled and shall cease to be recorded in the Participant's Account as of the date on which such Share Units are forfeited or cancelled under the Plan or are paid out, as the case may be.

**12.6** No Executive Officer or Consultant has any claim or right to be granted a Share Unit under the Plan.

### **13. VESTING AND SETTLEMENT OF SHARE UNITS**

**13.1** Except as otherwise provided herein, the number of Share Units subject to each grant, the expiry date of each Share Unit, the Vesting Dates with respect to each grant of Share Units and other terms and conditions relating to each such Share Unit shall be determined by the Board. The Board may, in its discretion, subsequent to the time of granting Share Units, permit the vesting of all or any portion of unvested Share Units then outstanding and granted to the Participant under this Plan, in which event all such unvested Share Units then outstanding and granted to the Participant shall be deemed to be immediately vested.

#### **13.2 Settlement.**

- (a) On a date (a "**Unit Release Date**") to be selected by the Board following the date a Share Unit has become a Vested Share Unit, which date shall not, in any event, extend beyond December 15 of the third calendar year following the service year in respect of which the particular Share Units were granted, the Corporation shall either (i) make a cash payment to the Participant equal to the product of the number of Vested Share Units recorded in the Participant's Account multiplied by the Fair Market Value of the Shares on the Unit Release Date, less Applicable Withholding Taxes, or (ii) issue from treasury of the Corporation that number of Shares in exchange for the Vested Share Units, less Applicable Withholding Taxes.



- (b) Subject to the receipt of all necessary Shareholder approvals as required under the rules, regulations and policies of the Stock Exchange and any other stock exchange on which Shares are listed or traded, the Corporation may, in lieu of the cash payment or issuance of Shares from treasury as contemplated in Section 13.2(a) above, on the Unit Release Date, elect to, through a broker designated by the Corporation who is independent from the Corporation and any Affiliate (the "**Designated Broker**"), acquire on behalf of such Participant, the number of whole Shares that is equal to the number of whole Vested Share Units recorded in the Participant's Account on the Unit Release Date (less any amounts in respect of Withholding Taxes). If the Corporation elects to arrange for the purchase of Shares by a Designated Broker on behalf of the Participant, the Corporation shall contribute to the Designated Broker an amount of cash sufficient, together with any reasonable brokerage fees or commission fees related thereto, to purchase the whole number of Shares to which the Participant is entitled and the Designated Broker shall, as soon as practicable thereafter, purchase those Shares on behalf of such Participant on the Stock Exchange.
- (c) Notwithstanding Sections 13.2(a) and 13.2(b), if on the Unit Release Date a Blackout Period has been imposed upon a Participant which is still in effect, then the Unit Release Date shall occur within ten Business Days following the expiry of the Blackout Period.
- (d) Notwithstanding any other provision of the Plan, but applying Section 13.2(c), if applicable, all amounts payable to, or in respect of, a Participant under this Section 13.2, including, without limitation, the issuance or delivery of Shares or a lump sum cash payment, shall be paid or delivered on or before December 31 of the third calendar year commencing immediately following the service year in which the particular Share Units were granted.
- (e) Upon payment of any amount pursuant to this Section 13.2 in cash or Shares, as the case may be, the particular Share Units in respect of which such payment was made shall be cancelled in the Participant's Account and on the register maintained by the Corporation and no further payments (whether in Shares or cash or otherwise) shall be made in relation to such Share Units.

**13.3** Prior to the Unit Release Date in respect of any Share Units, or prior to the Unit Release Date in the case of a Change in Control or otherwise to the extent that the performance determination has not yet been made, the Board shall assess the performance of the Corporation for the applicable period. The individual measures considered by the Board in assessing the Performance Conditions, including the comparative weighting of such measures, shall be determined by the Board in its sole discretion having regard to the principal purposes of the Plan and, upon the assessment of the Performance Conditions, the Board shall determine the Corporation's ranking. The applicable payout multiplier in respect of this ranking ("**Payout Multiplier**") shall be as determined by the Board in its sole discretion.

**13.4** Immediately prior to each Unit Release Date, the notional number of Vested Share Units shall be adjusted by multiplying such number by the Payout Multiplier applicable to such Share

#### **14. DIVIDEND EQUIVALENTS**

**14.1** On any date on which a cash dividend is paid on the Shares, a Participant's Account will be credited with a dividend equivalent in the form of a number of Share Units (including fractional Share Units) calculated by:

- (a) multiplying the amount of the dividend per Share by the aggregate number of Share Units that were credited to the Participant's Account as of the record date for payment of the dividend, and

- (b) dividing the amount obtained in (a) above by the Fair Market Value on the date on which the dividend is paid.

**14.2** A written confirmation of the balance in each Participant's Account will be sent by the Corporation to the Participant upon request of the Participant.

## **15. TERMINATION**

**15.1 Resignation.** Subject to the applicable Grant Agreement, in the event a Participant's employment is Terminated as a result of the Participant's resignation (which is not in connection with a constructive dismissal by the Corporation or an Affiliate), no Share Units that have not Vested prior to the date on which the Participant submits his or her resignation, including dividend equivalent Share Units in respect of such Share Units, shall vest and all such Share Units shall be forfeited immediately.

**15.2 Termination With Cause.** Notwithstanding the provisions of Article 13 and subject to the remaining provisions of this Article 15 and to any express resolution passed by the Board, on a Participant's Termination Date, any Share Units standing to the credit of such Participant which have not become Vested Share Units on or before the Participant's Termination Date, shall immediately terminate and become null and void as of such Termination Date. For greater certainty, no Share Units shall vest during any reasonable notice period.

**15.3 Termination Without Cause -** Subject to any provisions to the contrary in the employment or consulting agreement of any particular Participant, upon the Termination without Cause of such Participant, unless otherwise determined by the Board in its sole discretion, those Share Units awarded to such Participant that have not yet become Vested Share Units, but would be eligible for vesting and issuance during the notice period specified in such Participant's employment or consulting agreement, shall vest on the Termination Date. For greater certainty, unless otherwise determined by the Board in its sole discretion, in the circumstances provided for in this Section 15.3 the Performance Conditions applicable to any Shares that are subject to the accelerated vesting pursuant to this Section 15.3 shall be determined in accordance with the terms of such Participant's employment or consulting agreement or the Grant Agreement.

**15.4 Termination Upon Death or Disability -** Where the Participant's Termination Date occurs as a result of the Participant's death or Disability, any Share Units standing to the credit of such Participant shall continue to vest (and be paid out) in the normal course for a period of twelve (12) months extending from the Participant's Termination Date. Any Share Units granted to such Participant which have not become Vested Share Units on or before the date that is the first anniversary of the Participant's Termination Date shall terminate and become null and void as of such date.

## **PART IV - DEFERRED SHARE UNITS**

### **16. DEFINITIONS USED IN PART IV**

**16.1 "Annual Remuneration"** means all amounts payable to an Eligible Director by the Corporation in respect of the services provided by the Eligible Director to the Corporation in connection with such Eligible Director's service on the Board in a fiscal year, including without limitation (i) the annual base retainer fee for serving as a director, (ii) the annual retainer fee for serving as a member of a Board committee; (iii) the annual retainer fee for chairing a Board committee; and (iv) the fee for attendance at Board meetings and Board committee meetings, which amounts shall, unless otherwise determined by the Board, be payable Quarterly in arrears; provided that "Annual Remuneration" shall not include any amounts received by an Eligible Director as a reimbursement for expenses incurred in attending meetings or any DSUs awarded.

**16.2 "DSU Account"** means the book-entry notional account maintained by the Corporation in its books for an Eligible Director to record the DSUs credited to such Eligible Director, respectively.

**16.3 "Election Notice"** means the written election under Section 17.2 to receive Deferred Share Units, in such form as may be prescribed by the Board from time to time.

**16.4 "Eligible Director"** means a member of the Board who is not an Employee of the Corporation or an Affiliate and including any non-executive Chair of the Board.

**16.5 "Purchase Date"** means, in the case of Deferred Share Units granted to a Participant for a particular Financial Quarter based on the Elected Amount in respect of the portion of the Participant's Annual Remuneration to be earned in such Financial Quarter, the last day of such Financial Quarter, on which date Deferred Share Units representing the Elected Amount are payable to the Participant and shall be deemed to be awarded and credited to the Participant's Account.

**16.6 "Quarter"** means a fiscal quarter of the Corporation, which, until changed by the Corporation, shall be the three-month period ending March 31, June 30 September 30 and December 31 in any year and "Quarterly" means each Quarter time to time.

**16.7 "Redemption Date"** means, in respect of a Participant, the later of:

- (a) The third Business Day after the Separation Date; and
- (b) Provided the Participant is not a U.S. Director, such later date, if any, as may be agreed in writing between the Corporation and the Participant before the Separation Date, provided that such date shall not be permitted to be later than December 15<sup>th</sup> of the calendar year commencing immediately after the Separation Date.

**16.8 "Separation Date"** means, with respect to an Eligible Director, the earliest date on which both of the following conditions are met: (i) the Eligible Director has ceased to be Employed by the Corporation or any Affiliate thereof for any reason whatsoever; and (ii) the Eligible Director is not a member of the Board nor a director of an Affiliate.

**16.9 "Terminated Service"** means, with respect to a Participant, that the Participant has ceased to be a Director, other than as a result of death, and has ceased to act in any other capacity with the Corporation (including as an Employee or officer of the Corporation);

**16.10 "U.S. Director"** means a Director who is a United States citizen or a United States resident as defined under the taxation laws of the United States.

## **17. GRANT OF DEFERRED SHARE UNITS**

**17.1** The Board may from time to time grant Deferred Share Units to Participants, in its sole discretion. Deferred Share Units issued pursuant to this Plan will be credited to an Account maintained for each Participant by the Corporation on the first Business Day of each Financial Quarter or as otherwise determined by the Corporation. The number of Deferred Share Units (including fractional Deferred Share Units) to be credited to a Participant will be determined in accordance with Section 17.3.

**17.2** A Eligible Director may elect, in the manner set out in this Section 17.2, to receive all or a portion of the Eligible Director's Annual Remuneration (the "**Elected Amount**") in the form of Deferred Share Units:

- (a) Each Eligible Director may elect, with respect to a Quarter, to be paid a percentage (from zero to 100% in 25% increments) of the Eligible Director's Annual Remuneration payable to the Director in such Quarter, in Deferred Share Units, with the balance, if any, being paid in cash, or a combination thereof.
- (b) To be effective, an election with respect to Annual Remuneration for services must be given to the Corporation not less than five Business Days before the beginning of the Quarter to

which the election relates, and in all events before the relevant Annual Remuneration is otherwise payable. The form of notice to be provided by the Eligible Director to the Corporation in respect of an election shall be determined by the Board, from time to time.

- (c) If no election is made in respect of a particular Quarter, the new or existing Eligible Director will receive the Annual Remuneration for such Quarter in cash.
- (d) An election made under this section is irrevocable.
- (e) For greater certainty, no election may be made during a Blackout Period that applies to an Eligible Director.

**17.3** The number of Deferred Share Units (including fractional Deferred Share Units, computed to three digits) to be credited to a Eligible Director for services in a Quarter will be determined by dividing the sum of the portion of the Annual Remuneration for the Quarter and the Elected Amount (in respect of the Eligible Director's Annual Remuneration to be earned in such Quarter), which is payable on the Purchase Date, by the Fair Market Value as at the Purchase Date, or such other date as otherwise determined by the Board in its discretion.

**17.4** Deferred Share Units granted under this Plan shall be fully vested upon being credited to a Participant's Account and the Participant's entitlement to payment of such Deferred Share Units at the Redemption Date shall not thereafter be subject to satisfaction of any requirements as to any minimum period of membership on the Board.

## **18. DIVIDEND EQUIVALENTS**

**18.1** On any date on which a cash dividend is paid on the Shares, a Participant's Account will be credited with a dividend equivalent in the form of a number of Deferred Share Units (including fractional Deferred Share Units, computed to three digits) calculated by:

- (a) multiplying the amount of the dividend per Share by the aggregate number of Deferred Share Units that were credited to the Participant's Account as of the record date for payment of the dividend, and
- (b) dividing the amount obtained in (i) above by the Fair Market Value on the date on which the dividend is paid.

**18.2** A written confirmation of the balance in each Participant's Account will be sent by the Corporation to the Participant upon request of the Participant.

## **19. TERMINATION OF SERVICE AND PAYOUT OF DEFERRED SHARE UNITS**

**19.1** The Corporation shall, on the Redemption Date, at the Corporation's discretion, pay or issue, as applicable:

- (a) at the Corporation's discretion, to a Participant who is not a U.S. Director and who has Terminated Service, (1) cash payment to the Participant equal to the Fair Market Value of the Shares on the Separation Date multiplied by the number of Deferred Share Units recorded to the Participant, less any Applicable Withholding Tax, or (2) that number of Shares from treasury of the Corporation in exchange for Deferred Share Units, less Applicable Withholding Taxes; or
- (b) for a Participant who is a U.S. Director and who has Terminated Service, cash equal to the Fair Market Value of the Shares on the Separation Date multiplied by the number of Deferred Share Units recorded to the Participant, net of any Applicable Withholding Tax,

provided that the Corporation may defer the Redemption Date to any other date if such deferral is, in the sole opinion of the Corporation, desirable to ensure compliance with the terms under this Plan, provided that in no event shall the Redemption Date be deferred to a date that is later than December 15th of the calendar year commencing immediately after the Termination Date.

**19.2** Subject to the receipt of all necessary Shareholder approvals as required under the rules, regulations and policies of the Stock Exchange and any other stock exchange on which Shares are listed or traded, the Corporation may, in lieu of the cash payment or issuance of Shares from treasury as contemplated in Section 19.1 above, on the Redemption Date, elect to, through a broker designated by the Corporation who is independent from the Corporation and any Affiliate (the "Designated Broker"), acquire on behalf of such Participant, the number of whole Shares that is equal to the number of whole Deferred Share Units recorded in the Participant's Account on the Redemption Date (less any amounts in respect of Withholding Taxes). If the Corporation elects to arrange for the purchase of Shares by a Designated Broker on behalf of the Participant, the Corporation shall contribute to the Designated Broker an amount of cash sufficient, together with any reasonable brokerage fees or commission fees related thereto, to purchase the whole number of Shares to which the Participant is entitled and the Designated Broker shall, as soon as practicable thereafter, purchase those Shares, on behalf of such Participant on the Stock Exchange.

**19.3** Notwithstanding Section 19.1, if on the Redemption Date a Blackout Period has been imposed upon a Participant which is still in effect, then the Redemption Date shall occur within ten Business Days following the expiry of the Blackout Period.

**19.4** In the event of the death of a Participant, the Corporation will, within two months of the Participant's death, pay cash equal to the Fair Market Value of the Shares multiplied by the number of Deferred Share Units recorded on the Participant's Account which would be deliverable to the Participant if the Participant had Terminated Service in respect of the Deferred Share Units credited to the deceased Participant's Account (net of any applicable Withholding Tax) to or for the benefit of the Beneficiary. The Fair Market Value will be calculated on the date of death of the Participant.

## **PART V – TSXV REQUIREMENTS**

### **20. RULES APPLICABLE IF SHARES ARE LISTED ON TSXV**

**20.1** In the event that the Stock Exchange on which the Shares of the Corporation are listed is the TSX Venture Exchange (the "**TSXV**"), the provisions in this Article 20 shall apply, and the other provisions of this Plan shall be interpreted so as not to conflict with this Article 20 or the rules and policies of the TSXV.

**20.2** Definitions used in this Part V:

- (a) "**Charitable Stock Option**" means any Option granted by the Corporation to an Eligible Charitable Organization.
- (b) "**Consultant**" means, in relation to the Corporation or a Subsidiary, an individual (other than a Director or Employee) or other Person that: (i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to a Subsidiary, other than services provided in relation to a Distribution; (ii) provides the services under a written contract between the Corporation or a Subsidiary and the individual, as the case may be; and (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Subsidiary;
- (c) "**Distribution**" shall have the meaning ascribed thereto in the TSXV Corporate Finance Manual;

- (d) **"Eligible Charitable Organizations"** shall have the meaning ascribed thereto in Policy 4.4 — *Security Based Compensation* of the TSXV Corporate Finance Manual.
- (e) **"Exchange Hold Period"** shall have the meaning ascribed thereto in Policy 1.1 — *Interpretation* of the TSXV Corporate Finance Manual.
- (f) **"Insider"** shall instead have the meaning ascribed thereto in Policy 1.1 — *Interpretation* of the TSXV Corporate Finance Manual.
- (g) **"Investor Relations Activities"** shall have the meaning ascribed thereto in Policy 1.1 — *Interpretation* of the TSXV Corporate Finance Manual.
- (h) **"Investor Relations Service Provider"** shall have the meaning ascribed thereto in Policy 4.4 — *Security Based Compensation* of the TSXV Corporate Finance Manual.
- (i) **"Security Based Compensation Plan"** shall have the meaning ascribed thereto in Policy 4.4 — *Security Based Compensation* of the TSXV Corporate Finance Manual.
- (j) **"Subsidiary"** means any corporation that is a subsidiary of the corporation, as such term is defined in the Business Corporations Act (Alberta).

**20.3** The Corporation and the Participant must ensure and confirm that the Participant is a bona fide Employee, Consultant or management company employee.

**20.4** The limitations on Grants set forth in Article 5 shall be replaced with the following limitations (in each case, unless the Corporation shall have obtained the requisite disinterested shareholder approval, if any, in accordance with the Stock Exchange Rules):

- (a) **To any one Individual.** The aggregate number of Shares that are issuable pursuant to all Grants to any one individual (and companies wholly owned by that individual) pursuant to the Plan and any other Security Based Compensation Plan of the Corporation in a twelve (12) month period must not exceed 5% of the issued and outstanding Shares, calculated on the date of Grant to the individual.
- (b) **To Insiders as a group at any point in time.** The aggregate number of Shares that are issuable pursuant to Grants to Insiders as a group pursuant to the Plan and any other Security Based Compensation Plan of the Corporation at any point in time must not exceed 10% of the total number of issued and outstanding Shares.
- (c) **To Insiders as a group within a 12-month period.** The aggregate number of Shares that are issuable pursuant to all Grants to Insiders as a group pursuant to the Plan and any other Security Based Compensation Plan of the Corporation in a twelve (12) month period must not exceed 10% of the total number of issued and outstanding Shares, calculated on the date of Grant to any Insider.
- (d) **To any one Consultant.** The aggregate number of Shares that are issuable pursuant to all Grants to any one Consultant in a twelve (12) month period pursuant to the Plan and any other security-based compensation arrangement of the Corporation must not exceed 2% of the issued and outstanding Shares, calculated at the date of Grant to the Consultant.
- (e) **To Persons conducting Investor Relations Activities.** Investor Relations Service Providers may not receive any Grants other than Options. The aggregate number of Options granted to all Investor Relations Service Providers pursuant to the Plan and any other security-based compensation arrangement of the Corporation must not exceed 2%

of the issued and outstanding Shares in any twelve (12) month period, calculated at the date an Option is granted to any such Investor Relations Service Provider.

- (f) **To Eligible Charitable Organizations.** Eligible Charitable Organizations may not receive any Grants other than Charitable Stock Options. The aggregate number of Options granted and outstanding to Eligible Charitable Organizations pursuant to the Plan and any other security-based compensation arrangement of the Corporation must not at any time exceed 1% of the issued and outstanding Shares, calculated as at the date the Charitable Stock Option is granted to the Eligible Charitable Organization. Options granted to Eligible Charitable Organizations must expire on or before the earlier of: (i) the date that is 10 years from the date of grant of the Charitable Stock Option; and (ii) the 90th day following the date that the holder of the Charitable Stock Option ceases to be an Eligible Charitable Organization.

**20.5** For the purposes of Section 9.2, the definition of "Market Price" shall instead mean the greater of:

- (a) the volume weighted average trading price per share of the Shares on the TSXV for the five (5) consecutive trading days ending on the last trading day preceding the applicable day; and
- (b) Either:
- (i) if the Shares are listed on only the TSXV, the closing price per Share on the TSXV on the last Trading Day immediately prior to such date; or
- (ii) if the Shares are listed on more than one Stock Exchange, the closing price per Share on the Stock Exchange on the last Trading Day immediately prior to such date for the primary Stock Exchange on which the greatest volume of trading of the Shares occurred during the immediately preceding twenty (20) Trading Days;

less the maximum discount, if any, permitted under the TSXV's policies applicable to incentive stock options.

**20.6** Any Options granted pursuant to Part II to Persons performing Investor Relations Activities shall vest over a minimum of twelve (12) months with no more than one quarter (1/4) of such Options vesting in any three (3) month period or otherwise in accordance with the policies of the TSXV.

**20.7** The Net Share Exercise Right pursuant to Section 9.5 shall not be available to Investor Relations Service Providers.

**20.8** Notwithstanding Section 9, Stock Options granted under this Plan can be exercisable for a maximum of 10 years from the Grant Date.

**20.9** Notwithstanding Section 12, but subject to Section 15, no Share Unit granted pursuant to Part III shall vest before the date that is one year following the Grant Date of such Share Units.

**20.10** Notwithstanding Section 17, but subject to Section 19, no Deferred Share Unit granted pursuant to Part IV shall vest before the date that is one year following the Grant Date of such Deferred Share Units.

**20.11** If, in accordance with the Stock Exchange Rules, the Exchange Hold Period applies, all Options and any Shares issued under Options prior to the expiry of the Exchange Hold Period shall be legended with the Exchange Hold Period commencing on the date the Options were granted.

**20.12** The Corporation must obtain disinterested shareholder approval when decreasing the exercise price or extending the term of Stock Options granted to Insiders.

## APPENDIX "B"

### Share Conditions attaching to High Arctic Class A Shares, High Arctic Preferred Shares, and New High Arctic Common Shares at the time of the amendment contemplated in Subsection 3.1(1)(b)

1. The rights, privileges, restrictions and conditions attaching to the High Arctic Class A Shares shall be as follows:
  - (a) **Voting:** Holders of High Arctic Class A Shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Corporation, except meetings of holders of another class of shares. Each High Arctic Class A Share shall entitle the holder thereof to two (2) votes.
  - (b) **Dividends:** Subject to the preferences accorded to holders of High Arctic Preferred Shares and any other shares of the Corporation ranking senior to the High Arctic Class A Shares from time to time with respect to the payment of dividends, holders of High Arctic Class A Shares shall be entitled to receive, if, as and when declared by the Board of Directors, such dividends as may be declared thereon by the Board of Directors from time to time.
  - (c) **Liquidation, Dissolution or Winding-Up:** In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (such event referred to herein as a "**Distribution**"), holders of High Arctic Class A Shares shall be entitled, subject to the preferences accorded to holders of High Arctic Preferred Shares and any other shares of the Corporation ranking senior to the High Arctic Class A Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Corporation.
  - (d) **Restriction on Subdivision, Consolidation:** Neither the High Arctic Class A Shares nor the New High Arctic Common Shares shall be subdivided, consolidated, reclassified or otherwise changed unless, contemporaneously therewith, the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion or in the same manner.
  - (e) **Equality:** With the exception of voting privileges, the High Arctic Class A Shares and the New High Arctic Common Shares shall have the same rights and attributes and be the same in all respects.
2. The rights, privileges, restrictions and conditions attaching to the High Arctic Preferred Shares, as a class, shall be as follows:
  - (a) **Issuance in Series:**
    - (i) Subject to the filing of Articles of Amendment in accordance with the Business Corporations Act (Alberta) (the "**Act**"), the Board of Directors may at any time and from time to time issue the High Arctic Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors.
    - (ii) Subject to the filing of Articles of Amendment in accordance with the Act, the Board of Directors may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of High Arctic Preferred Shares including, without limiting the generality of the foregoing, the



amount, if any, specified as being payable preferentially to such series on a Distribution; the extent, if any, of further participation on a Distribution; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.

- (b) **Liquidation:** In the event of the voluntary or involuntary liquidation, dissolution, winding-up of the Corporation or Distribution, holders of each series of High Arctic Preferred Shares shall be entitled, in priority to holders of High Arctic Class A Shares, the New High Arctic Common Shares and any other shares of the Corporation ranking junior to the High Arctic Preferred Shares from time to time with respect to payment on a Distribution, to be paid rateably with holders of each other series of High Arctic Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series on a Distribution.
  - (c) **Dividends:** The holders of each series of High Arctic Preferred Shares shall be entitled, in priority to holders of High Arctic Class A Shares, the New High Arctic Common Shares and any other shares of the Corporation ranking junior to the High Arctic Preferred Shares from time to time with respect to the payment of dividends, to be paid rateably with holders of each other series of High Arctic Preferred Shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series.
3. The rights, privileges, restrictions and conditions attaching to the New High Arctic Common Shares shall be as follows:
- (a) **Voting:** Holders of New High Arctic Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Corporation, except meetings of holders of another class of shares. Each New High Arctic Common Share shall entitle the holder thereof to one vote.
  - (b) **Dividends:** Subject to the preferences accorded to holders of High Arctic Preferred Shares and any other shares of the Corporation ranking senior to the New High Arctic Common Shares or the High Arctic Class A Shares from time to time with respect to the payment of dividends, holders of New High Arctic Common Shares shall be entitled to receive, if, as and when declared by the Board of Directors, such dividends as may be declared thereon by the Board of Directors from time to time.
  - (c) **Liquidation, Dissolution or Winding-Up:** In the event of a Distribution, holders of New High Arctic Common Shares shall be entitled, subject to the preferences accorded to holders of High Arctic Preferred Shares and any other shares of the Corporation ranking senior to the New High Arctic Common Shares or the High Arctic Class A Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Corporation.
  - (d) **Restriction on Subdivision, Consolidation:** Neither the New High Arctic Common Shares nor the High Arctic Class A Shares shall be subdivided, consolidated, reclassified or otherwise changed unless, contemporaneously therewith, the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion or in the same manner.
  - (e) **Equality:** With the exception of voting privileges, the New High Arctic Common Shares and the High Arctic Class A Shares shall have the same rights and attributes and be the same in all respects.

## APPENDIX "C"

### Share Conditions attaching to the SpinCo Common Shares and SpinCo Preferred Shares

1. The rights, privileges, restrictions and conditions attaching to the SpinCo Common Shares shall be as follows:
  - (a) **Voting:** Holders of SpinCo Common Shares shall be entitled to receive notice of and to attend and vote at all meetings of shareholders of the Corporation, except meetings of holders of another class of shares. Each SpinCo Common Share shall entitle the holder thereof to one vote.
  - (b) **Dividends:** Subject to the preferences accorded to holders of SpinCo Preferred Shares and any other shares of the Corporation ranking senior to the SpinCo Common Shares from time to time with respect to the payment of dividends, holders of SpinCo Common Shares shall be entitled to receive, if, as and when declared by the Board of Directors, such dividends as may be declared thereon by the Board of Directors from time to time.
  - (c) **Liquidation, Dissolution or Winding-Up:** In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (such event referred to herein as a "**Distribution**"), holders of SpinCo Common Shares shall be entitled, subject to the preferences accorded to holders of SpinCo Preferred Shares and any other shares of the Corporation ranking senior to the SpinCo Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Corporation.
  
2. The rights, privileges, restrictions and conditions attaching to the SpinCo Preferred Shares, as a class, shall be as follows:
  - (a) **Issuance in Series:**
    - (i) Subject to the filing of Articles of Amendment in accordance with the Business Corporations Act (Alberta) (the "**Act**"), the Board of Directors may at any time and from time to time issue the SpinCo Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board of Directors.
    - (ii) Subject to the filing of Articles of Amendment in accordance with the Act, the Board of Directors may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of SpinCo Preferred Shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a Distribution; the extent, if any, of further participation on a Distribution; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.
  - (b) **Liquidation:** In the event of the voluntary or involuntary liquidation, dissolution, winding-up of the Corporation or Distribution, holders of each series of SpinCo Preferred Shares shall be entitled, in priority to holders of SpinCo Common Shares and any other shares of the Corporation ranking junior to the SpinCo Preferred Shares from time to time with respect to payment on a Distribution, to be paid rateably with holders of each other series of SpinCo Preferred Shares the amount, if any, specified as being payable preferentially to the holders of such series on a Distribution.

- (c) **Dividends:** The holders of each series of SpinCo Preferred Shares shall be entitled, in priority to holders of SpinCo Common Shares and any other shares of the Corporation ranking junior to the SpinCo Preferred Shares from time to time with respect to the payment of dividends, to be paid rateably with holders of each other series of SpinCo Preferred Shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series.

**APPENDIX "D"**

**Directors of SpinCo**

**Name**

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Michael Maguire

Michael Binnion

Bruce Apana

## APPENDIX "E"

### By-Laws of SpinCo

#### BY-LAW NO. 1

A by-law relating generally to the conduct of the business and affairs of High Arctic Overseas Holdings Corp.

#### DIRECTORS AND OFFICERS

1. **Calling of and Notice of Meetings** - Meetings of the board shall be held at such place and time and on such day as the chairman of the board, president, chief executive officer or a vice-president, if any, or any two directors may determine. Notice of meetings of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held. Each newly elected board may without notice hold its first meeting for the purposes of organization and the appointment of officers immediately following the meeting of shareholders at which such board was elected.
2. **Quorum** - Subject to the residency requirements contained in the Business Corporations Act, the quorum for the transaction of business at any meeting of the board shall consist of a majority of the number of directors then elected or appointed or such greater or lesser number of directors as the board may from time to time determine.
3. **Place of Meeting** - Meetings of the board may be held in or outside Canada.
4. **Votes to Govern** - At all meetings of the board every question shall be decided by a majority of the votes cast on the question; and in case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.
5. **Interest of Directors and Officers Generally in Contracts** - No director or officer shall be disqualified by his office from contracting with the Corporation nor shall any contract or arrangement entered into by or on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested be liable to be voided nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established; provided that the director or officer shall have complied with the provisions of the Business Corporations Act.
6. **Appointment of Officers** - Subject to the articles and any unanimous shareholder agreement, the board may from time to time appoint a president, chief executive officer, chief financial officer, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers so appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Business Corporations Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to the provisions of this by-law, an officer may but need not be a director and one person may hold more than one office.
7. **Chairman of the Board** - The board may from time to time also appoint a chairman of the board who shall be a director. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the managing director or to the president; and he shall, subject to the provisions of the Business Corporations Act, have such other powers and duties as the board may specify. During the absence or disability of the chairman of the board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

8. **Managing Director** - The board may from time to time appoint a managing director who shall be a director. If appointed, he shall have such powers and duties as the board may specify.
9. **President** - If appointed, the president shall be the chief operating officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the board may specify. During the absence or disability of the president, or if no president has been appointed, the managing director shall also have the powers and duties of that office.
10. **Vice-President** - A vice-president shall have such powers and duties as the board or the chief executive officer may specify.
11. **Secretary** - The secretary shall attend and be the secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.
12. **Treasurer** - The treasurer shall keep proper accounting records in compliance with the Business Corporations Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as treasurer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer may specify.
13. **Agents and Attorneys** - The board shall have the power from time to time to appoint agents and attorneys for the Corporation in or outside Canada with such powers as the board sees fit.

### SHAREHOLDERS' MEETINGS

14. **Quorum** - Subject to the requirements of the Business Corporations Act, a quorum for the transaction of business at any meeting of the shareholders, irrespective of the number of persons actually present at the meeting, shall be one person present in person being a shareholder entitled to vote thereat or a duly appointed representative or proxyholder for an absent shareholder so entitled, and holding or representing in the aggregate not less than a majority of the outstanding shares of the Corporation entitled to vote at the meeting.

At such time as shares of the Corporation have been sold to the public, the quorum for the transaction of business at any meeting of the shareholders shall consist of at least two persons holding or representing by proxy not less than five percent (5%) of the outstanding shares of the Corporation entitled to vote at the meeting.

15. **Votes to Govern** - At any meeting of shareholders every question shall, unless otherwise required by the Business Corporations Act, be determined by the majority of votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall not be entitled a second or casting vote.
16. **Show of Hands** - Subject to the provisions of the Business Corporations Act, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote per share. Whenever a vote by show of hands shall have been taken

upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

17. **Ballots** - On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, any shareholder or proxyholder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Business Corporations Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

### **ADVANCE NOTICE OF NOMINATION OF DIRECTORS**

18. **Nomination of Directors** – Subject only to the Act, the articles of the Corporation and applicable securities laws, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board may be made at any annual general meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which a special meeting was called was the election of directors, (a) by or at the direction of the Board or an authorized officer of the Corporation, including pursuant to a notice of meeting of shareholders, (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act or (c) by any person (a “Nominating Shareholder”) (i) who, at the close of business on the date of the giving of the notice provided for below in this Section 18 and on the record date for the receipt of notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting, or who beneficially owns shares that are entitled to be voted at such meeting and (ii) who complies with the notice procedures set forth below in this Section 18:

- (a) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, such person must have given timely notice thereof in proper written form (the “Notice”) to the Chief Executive Officer of the Corporation at the principal executive offices of the Corporation, in accordance with this Section 18.

- (b) To be timely, a Notice to the Chief Executive Officer of the Corporation must be given:

- (i) in the case of an annual general meeting (including an annual and special meeting) of shareholders, not less than 30 nor more than 65 days prior to the date of the annual general meeting of shareholders; provided, however, that in the event that the annual general meeting of shareholders is called for at a date that is less than 50 days after the date (the “Notice Date”) on which the first public announcement of the date of the annual general meeting was made, the Notice must be given by the Nominating Shareholder not later than the close of business on the tenth (10th) day following the Notice Date;
- (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the date on which the first public announcement of the date of the special meeting of shareholders was made; and

- (iii) in no event shall any adjournment or postponement of a meeting of shareholders, or the public announcement thereof, commence a new time period for the giving of the Notice.
- (c) To be in proper written form, the Notice to the Chief Executive Officer of the Corporation must set forth:
  - (i) as to each person who the Nominating Shareholder proposes to nominate for election as a director: (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) whether the person is a resident Canadian with the meaning of the Act, (d) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person; (I) as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred), and (II) as of the date of such Notice and (e) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws; and
  - (ii) as to the Nominating Shareholder, any proxy, contract, arrangement, understanding, relationship or any other information relating to such Nominating Shareholder that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws.
- (d) In addition, to be considered timely and in proper written form, a Nominating Shareholder's Notice shall be promptly updated and supplemented, if necessary, so that the information provided or required to be provided in such Notice shall be true and correct as of the record date for the meeting.
- (e) The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that would reasonably be expected to be material to a reasonable shareholder's understanding of the independence and/or qualifications, or lack thereof, of such proposed nominee.
- (f) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 18; provided, however, that nothing herein shall be deemed to preclude discussions by a shareholder (as distinct from seeking to nominate directors) at a meeting of shareholders, on any matter in respect of which such shareholder would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such nomination is invalid due to its non-compliance with this Section 18.
- (g) For purposes of this Section 18:
  - (i) "**public announcement**" shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedarplus.ca](http://www.sedarplus.ca); and



- (ii) **“applicable securities laws”** means the securities legislation in those provinces and territories of Canada to which the Corporation is subject, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each of the relevant provinces and territories of Canada.
- (h) Notwithstanding any other provisions of the by-laws of the Corporation, Notice given to the Chief Executive Officer of the Corporation pursuant to this Section 18 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the Chief Executive Officer of the Corporation for the purposes of such Notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Chief Executive Officer at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is not a business day, or later than 5:00 pm (Calgary time) on a day which is a business day, then such a delivery or electronic communication shall be deemed to have been made on the next following business day.
- (i) Notwithstanding any of the foregoing, the Board may, in its sole discretion, waive any requirement in this Section 18.

#### **MEETING BY ELECTRONIC MEANS OR TELEPHONE**

- 19. **Directors** - A director may participate in a meeting of the board or of a committee of the board by electronic means, telephone or other communication facilities (“Communication Facilities”), or entirely by Communication Facilities, if such Communication Facilities permit all persons participating in such meeting to hear each other.
- 20. **Shareholders** - A shareholder or any other person entitled to attend a meeting of shareholders may participate in a meeting of shareholders by Communication Facilities if such Communications Facilities permit all persons participating in such meeting to hear or otherwise communicate with each other (collectively, “Hybrid Communications”).
- 21. **Virtual Meeting** - If the directors or the shareholders of the Corporation call a meeting of shareholders, those directors or shareholders, as the case may be, may determine that the meeting shall be held, entirely by Communication Facilities if such Communication Facilities permit all participants in such meeting to communicate adequately with each other during the meeting (collectively, “Virtual Communications”).

For the purposes of this section:

- (a) any shareholder or other person entitled to attend the meeting and participating by Communication Facilities or establishing a communications link through the Communications Facilities to the meeting shall be deemed to be present in person at the meeting;
- (b) any and all communications or participation to the meeting through Hybrid Communications, including through a moderator, electronic interface or establishing a communications link via Hybrid Communications, shall be deemed to allow for participants to hear or otherwise communicate with each other;
- (c) any and all communications or participation in the meeting through Virtual Communications, including through a moderator, electronic interface or establishing a

communications link via Virtual Communications, shall be deemed to allow for participants to “communicate adequately with each other”; and

- (d) if the notice of meeting does not specify a location for the meeting and provides for participation by Electronic Means, the meeting shall be deemed to be held at the registered office of the Corporation.

## INDEMNIFICATION

22. **Indemnification of Directors and Officers** - The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives to the extent permitted by the Business Corporations Act.
23. **Indemnity of Others** - Except as otherwise required by the Business Corporations Act and subject to paragraph 22, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another body corporate, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction shall not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his conduct was lawful.
24. **Right of Indemnity Not Exclusive** - The provisions for indemnification contained in the by-laws of the Corporation shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors or otherwise, both as to action in his official capacity and as to action in another capacity, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs and legal representatives of such a person.
25. **No liability of Directors or Officers for Certain Matters** - To the extent permitted by law, no director or officer of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or body corporate with whom or which any moneys, securities or other assets belonging to the Corporation shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto unless the same shall happen by or through his failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or

shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a body corporate which is employed by or performs services for the Corporation, the fact of his being a director or officer of the Corporation shall not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

### **DIVIDENDS**

26. **Dividends** - Subject to the provisions of the Business Corporations Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.
27. **Dividend Cheques** - A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.
28. **Non-Receipt of Cheques** - In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnify, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.
29. **Unclaimed Dividends** - Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

### **BANKING ARRANGEMENTS, CONTRACTS, DIVISIONS ETC.**

30. **Banking Arrangements** - The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the board may designate, appoint or authorize from time to time by resolution and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided.
31. **Execution of Instruments** - Contracts, documents or instruments in writing requiring execution by the Corporation may be signed by any one officer or director and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and/or counterpart signature and deliver specific contracts, documents or instruments in writing. The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers and assignments of property of all kinds (including specifically, but without limitation, transfers and assignments of shares, warrants, bonds, debentures or other securities), share certificates, warrants, bonds, debentures and other securities or security instruments of the Corporation and all paper writings.

32. **Voting Rights in Other Bodies Corporate** - The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments shall be in favour of such persons as may be determined by the officers executing or arranging for the same. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.
33. **Creation and Consolidation of Divisions** - The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the board may consider appropriate in each case.
34. **Name of Division** - Any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business, enter into contracts, sign cheques and other documents of any kind and do all acts and things under such name. Any such contracts, cheque or document shall be binding upon the Corporation as if it had been entered into or signed in the name of the Corporation.
35. **Officers of Divisions** - From time to time the board or a person designated by the board, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The board or a person designated by the board, may remove at its or his pleasure any officer so appointed, without prejudice to such officers rights under any employment contract. Officers of divisions or their sub-units shall not, as such be officers of the Corporation.

#### MISCELLANEOUS

36. **Invalidity of Any Provisions of This By-Law** - The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.
37. **Share Certificates, Acknowledgements and Direct Registration System** - Every shareholder of one or more shares of the Corporation shall be entitled, at the shareholder's option, to a share certificate that complies with the Business Corporations Act (Alberta) or a non-transferable written acknowledgment that complies with the Business Corporations Act (Alberta) of the shareholder's right to obtain a share certificate from the Corporation in respect of the shares of the Corporation held by such shareholder in an amount as shown on the securities register of the Corporation. Any share certificate issued pursuant to this paragraph 37 shall be in such form as the board may from time to time approve, shall be signed by the Corporation in accordance with paragraph 31 and need not be under the corporate seal.

For greater certainty, but subject to the first paragraph of this paragraph 37, a registered shareholder may have his holdings of shares of the Corporation evidenced by an electronic, book-based, direct registration system or other non-certificated entry or position on the register of shareholders to be kept by the Corporation in place of a physical share certificate pursuant to such a registration system that may be adopted by the Corporation, in conjunction with its transfer agent. This by-law shall be read such that a registered holder of shares of the Corporation pursuant to any such electronic, book-based, direct registration service or other non-certificated entry or position shall be entitled to all of the same benefits, rights, entitlements and shall incur the same duties and obligations as a registered holder of shares evidenced by a physical share certificate. The Corporation and its transfer agent may adopt such policies and procedures and require such documents and evidence as they may determine necessary or desirable in order to facilitate the adoption and maintenance of a share registration system by electronic, book-based, direct registration system or other non-certificated means.

38. **Omissions and Errors** - The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any shareholder, director, officer or auditor or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

#### **INTERPRETATION**

39. **Interpretation** - In this by-law and all other by-laws of the Corporation words importing the singular number only shall include the plural and vice versa; words importing the masculine gender shall include the feminine and neuter genders; words importing persons shall include an individual, partnership, association, body corporate, executor, administrator or legal representative and any number or aggregate of persons; "articles" include the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement and articles of revival; "board" shall mean the board of directors of the Corporation; "Business Corporations Act" shall mean the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B 9, as amended from time to time, or any Act that may hereafter be substituted therefor; "meeting of shareholders" shall mean and include an annual meeting of shareholders and a special meeting of shareholders of the Corporation; and "signing officers" means any person authorized to sign on behalf of the Corporation pursuant to paragraph 31.

**APPENDIX "C"**  
**Fairness Opinion of Lightyear Capital Inc.**

May 9, 2024

The Board of Directors

High Arctic Energy Services Inc.  
2350, 330 – 5<sup>th</sup> Avenue SW  
Calgary, AB, T2P 0L4

To the Board of Directors of High Arctic Energy Services Inc.:

Lightyear Capital Inc. (“**Lightyear**” or “**we**”) understands that High Arctic Energy Services Inc. (“**High Arctic**” or the “**Company**”) proposes to undertake a reorganization, to be effected by way of statutory plan of arrangement (the “**Arrangement**”) under section 193 of the *Business Corporations Act* (Alberta), which would divide the Company into two publicly-traded energy service companies – one carrying on the present business of the Company in Canada and the United States that will continue as High Arctic Energy Services Inc. (“**New High Arctic**”) and the other carrying on the present business of the Company outside of North America, primarily in Papua New Guinea, that will be named High Arctic Overseas Holdings Corp. (“**SpinCo**”).

We understand that:

- (a) pursuant to the Arrangement, each issued and outstanding High Arctic Common Share as of the Effective Date will be exchanged for: (i) one-quarter (1/4) of a New High Arctic Common Share; and (ii) one-quarter (1/4) of a SpinCo Common Share (together, the “**Consideration**”), and
- (b) the completion of the Arrangement will be conditional upon, among other things, approval at a special meeting (the “**Meeting**”) of the Company by: (i) at least two-thirds of the votes cast by the holders of High Arctic Common Shares who are present in person or represented by proxy; and (ii) at least a majority of the votes cast by holders of High Arctic Common Shares who are present in person or represented by proxy, excluding the votes of those holders that are required to be excluded pursuant to Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions* (“**MI 61-101**”).

The terms and conditions of the Arrangement will be described in a Management Information Circular (the “**Circular**”) that will be delivered to the shareholders of the Company (the “**Shareholders**”) in connection with the Meeting. Certain capitalized terms used in this Opinion (as defined below) that are not otherwise defined in this letter have the meanings set out in the Circular.

We have been retained to provide our opinion (the “**Opinion**”) to the board of directors of the Company (the “**Board of Directors**”) as to whether the Consideration to be received under the Arrangement is fair, from a financial point of view, to the Shareholders.

All dollar amounts herein are expressed in Canadian dollars, unless otherwise indicated.

#### **Engagement of Lightyear**

Lightyear was first contacted by the Company in respect of the Arrangement on November 16, 2023 and was formally engaged by the Board of Directors pursuant to an engagement letter dated January 8, 2024 (the “**Engagement Agreement**”). Under the terms of the Engagement Agreement, Lightyear has agreed to provide this Opinion to the Board of Directors.

Lightyear will receive a fixed fee for rendering this Opinion under the Engagement Agreement. Lightyear is to be reimbursed for all reasonable out-of-pocket expenses in accordance with the terms of the Engagement Agreement. Lightyear and its affiliates and their respective directors, officers, partners, employees, agents, advisors and shareholders are to be indemnified by the Company from and against certain potential liabilities arising out of its engagement. Lightyear's compensation for providing this Opinion is not contingent on an action or event resulting from the use of the Opinion. The fixed fee for rendering this Opinion under the Engagement Agreement is not financially material to Lightyear.

### **Independence of Lightyear**

Neither Lightyear nor any of its affiliates or associates is an insider or an associated or affiliated entity or issuer insider (as such terms are defined in the *Securities Act* (Alberta) or the rules or instruments made thereunder) of the Company or any of its respective subsidiaries, associates, affiliates, control persons, senior officers or directors (the "Interested Parties").

Lightyear has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years, other than acting as financial advisor to the Board of Directors pursuant to the Engagement Agreement. There are no other understandings, agreements or commitments between Lightyear and any of the Interested Parties with respect to any current or future business dealings which would be material to the Opinion.

Lightyear may, in the ordinary course of its business, provide financial advisory or investment banking services to the Company, SpinCo, New High Arctic or their respective affiliates or associates from time to time. In addition, in the ordinary course of its business, Lightyear acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have, today or in the future, positions in the securities of the Company, SpinCo, New High Arctic or their respective affiliates or associates from time to time, and, from time to time, may have executed or may execute transactions on behalf of the Company, SpinCo, New High Arctic or their respective affiliates or associates or other clients for which it received or may receive compensation. In addition, as an investment dealer, Lightyear may, in the ordinary course of its business, provide investment advice to its clients on investment matters, including with respect to the Company, SpinCo, New High Arctic or their respective affiliates or associates.

### **Credentials of Lightyear**

Lightyear is a Canadian full-service investment dealer with its head office located in Calgary, Alberta. Lightyear is a member of the TMX Group, the Canadian Investment Regulatory Organization ("CIRO") (formerly the Investment Industry Regulatory Organization of Canada), and the Canadian Investor Protection Fund. Lightyear and its officers have prepared fairness opinions and have participated in a significant number of transactions involving private and publicly traded companies.

The Opinion expressed herein represents the opinion of Lightyear and the form and content of this Opinion has been reviewed and approved for release by the managing directors of Lightyear. The managing directors are professionals experienced in providing fairness opinions for mergers and acquisitions as well as providing capital markets advice.



### **Scope of Review**

In connection with rendering our Opinion, we have reviewed and relied upon, without independent verification and among other things, the following:

- i. a draft of the Arrangement Agreement, including the plan of arrangement attached thereto, to be dated May 9, 2024 (the “**Arrangement Agreement**”);
- ii. consolidated annual financial statements and management’s discussion and analysis of High Arctic for the years ended December 31, 2023, 2022, and 2021 together with the notes thereto and the auditors’ reports thereon;
- iii. condensed interim consolidated financial statements and management’s discussion and analysis of High Arctic for the three-month periods ended September 30, 2023, June 30, 2023, March 31, 2023, September 30, 2022, and June 30, 2022 and March 31, 2022;
- iv. certain public disclosure by the Company as filed on the System for Electronic Data Analysis and Retrieval+ (SEDAR+), including press releases and other public disclosure by the Company;
- v. select confidential information and select other documents provided to Lightyear on behalf of the Company, containing operational and financial information related to High Arctic;
- vi. internal management forecasts, projections, estimates and budgets for the Company, SpinCo and New High Arctic prepared or provided by or on behalf of management of High Arctic;
- vii. High Arctic’s March 2024 investor presentation;
- viii. discussions with senior management of the Company regarding their assessment of the past and current operations of the Company, the current financial condition of the Company, and the prospects of SpinCo and New High Arctic;
- ix. other public information relating to the business, operations and financial condition of the Company considered by us to be relevant;
- x. selected public market trading statistics and financial information of the Company considered by us to be relevant;
- xi. other public information relating to selected public companies considered by us to be relevant, including published reports by equity research analysts, and
- xii. such other information, analyses, investigations, and discussions as we considered necessary or appropriate in the circumstances.

We have participated in various discussions with members of the Company’s management regarding the Company’s business, operations, financial condition and corporate strategy. We have also had communications with DLA Piper (Canada) LLP, legal counsel to the Company, concerning the Arrangement and related matters. Lightyear has not, to the best of its knowledge, been denied access to any information requested by Lightyear with respect to the Arrangement.

## **Prior Valuations**

The Chief Executive Officer and the Chief Financial Officer of the Company have represented to Lightyear that, to the best of their knowledge, there have been no valuations or appraisals relating to the Company or its subsidiary, or any of their respective securities or material assets, made in the preceding 24 months, including any “prior valuation” within the meaning of MI 61-101.

## **Assumptions and Limitations**

Our Opinion is subject to the assumptions, qualifications and limitations set forth below.

We have not been asked to prepare and have not prepared a formal valuation under MI 61-101 or appraisal of any of the assets or securities of the Company or any of its subsidiaries and our Opinion should not be construed as such. We have relied upon the advice of counsel to the Company that the Company is not required to obtain a formal valuation under MI 61-101 in respect of the Arrangement. This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of CIRO, but CIRO has not been involved in the preparation or review of this Opinion.

With the Company’s acknowledgement and agreement as provided for in the Engagement Agreement, Lightyear has relied upon the accuracy, completeness and fair presentation of all data, advice, opinions and other information obtained by it from public sources or provided to it by the Company or its agents and advisors, or otherwise obtained by Lightyear (collectively, the “**Information**”).

We have not been requested to, or attempted to verify independently the accuracy, completeness or fairness of presentation of any of the Information. We have not met separately with the independent auditors of the Company in connection with preparing this Opinion and we have assumed the accuracy and fair presentation of, and relied upon the Company’s audited financial statements and the reports of the auditors thereon and the Company’s interim unaudited financial statements.

For purposes of our analysis and opinion, we have assumed, in all respects material to our analysis, that the executed Arrangement Agreement will not differ from the draft Arrangement Agreement reviewed by us, that the representations and warranties of each party contained in the Arrangement Agreement are true and correct, that each party will perform all of the covenants and agreements required to be performed by it under the Arrangement Agreement and that all conditions to the consummation of the Arrangement will be satisfied without waiver or modification thereof. We have further assumed, in all respects material to our analysis, that all governmental, regulatory, or other consents, approvals or releases necessary for the consummation of the Arrangement will be obtained without any delay, limitation, restriction or condition that would have an adverse effect on the Company, SpinCo or New High Arctic or the consummation of the Arrangement or reduce the contemplated benefits to the Shareholders of the Arrangement.

With respect to the budgets, forecasts, projections or estimates provided to Lightyear and used in its analyses, Lightyear notes that projecting future results is inherently subject to uncertainty. Lightyear has assumed, however, that such budgets, forecasts, projections and estimates were prepared using the assumptions identified therein which Lightyear has been advised are (or were at the time of preparation and continue to be), in the opinion of the Company, reasonable in the circumstances. Lightyear expresses no independent view as to, and disclaims all responsibility for, the reasonableness of such budgets, forecasts, projections and estimates or the assumptions on which they are based.

The Company has represented to us, in a certificate of its Chief Executive Officer and Chief Financial Officer dated the date hereof, among other things, that the Information was, as at the date of preparation, true, complete and accurate in all material respects and did not and does not contain any untrue statement of a material fact and does

not omit to state a material fact necessary to make the Information not misleading in the light of circumstances in which it was presented.

In our analyses and in connection with the preparation of our Opinion, we made customary assumptions with respect to industry performance, general business, markets and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement. Our Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of the Company as they are reflected in the Information and as they were represented to us in our discussions with management of the Company, and their affiliates and advisors.

We have not been asked to pass upon, and express no opinion with respect to, any matter other than the fairness to the Shareholders, from a financial point of view, of the Consideration. Further, we have not been asked to pass upon, and express no opinion with respect to the Return of Capital or any other matter to be voted upon by Shareholders at the Meeting. We do not express any view on, and our Opinion does not address, the fairness of the Arrangement to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors or other constituencies of the Company, nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company, or any class of such persons, whether relative to the Consideration or otherwise. We have not been asked to, nor do we express any view on, and our Opinion does not address, any other term or aspect of the Arrangement Agreement or any other transaction or agreement entered into or amended in connection with the Arrangement Agreement. Our Opinion does not address the relative merits of the Arrangement as compared to other business or financial strategies that might be available to the Company, nor does it address the underlying business decision of the Company to engage in the Arrangement. We do not express any view on, and our Opinion does not address, the prices at which the securities of the Company, SpinCo or New High Arctic will trade at any time, including following announcement or consummation of the Arrangement. In arriving at our Opinion, we were not authorized to solicit, and did not solicit, interest from any third party with respect to the acquisition of any or all of the High Arctic Common Shares or any business combination or other extraordinary transaction involving the Company. Our Opinion does not constitute a recommendation to the Board of Directors or to any other persons in respect of the Arrangement, including as to how any Shareholders should vote or act in respect of the Arrangement. We are not expressing any opinion as to the potential effects of volatility in the credit, financial and stock markets on the Company, SpinCo or New High Arctic or the Arrangement or as to the impact of the Arrangement on the solvency or viability of the Company, SpinCo or New High Arctic or the ability of the Company, SpinCo or New High Arctic to pay their respective obligations when they come due.

The Opinion is being provided to the Board of Directors for its exclusive use only in considering the Arrangement and, except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to us) in the Circular, may not be published, disclosed to any other person, relied upon or used by any other person, or used for any other purpose, without the prior written consent of Lightyear.

Lightyear believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of an Opinion is complex and is not necessarily susceptible to partial analysis or summary description and any attempt to do so could lead to undue emphasis on any particular factor or analysis; accordingly, our Opinion should be read in its entirety.

The Opinion is given as of the date hereof and, although we reserve the right to change or withdraw the Opinion if we learn that any of the information, including the Information, that we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, we disclaim any obligation to change or withdraw the Opinion, to advise any person of any change that may come to our attention or to update the Opinion after the date of the Opinion.

### **Approach to Fairness**

In support of the Opinion, Lightyear has conducted and reviewed certain analyses of the Company based on the methodologies and assumptions that Lightyear considered appropriate in the circumstances for the purposes of providing its Opinion.

As part of the analyses and investigations carried out in the preparation of the Opinion, Lightyear reviewed and considered the items outlined under “Scope of Review” and considered a number of factors including, but not limited to the following:

- (a) the proportionate ownership of each Shareholder in each of SpinCo and New High Arctic following the completion of the Arrangement;
- (b) the transaction costs associated with the Arrangement; and
- (c) other qualitative factors with respect to the Arrangement, including but not limited to the strategic benefits of separating High Arctic into two separate publicly traded entities, and the capital markets profile of the separate entities including access to capital, future business prospects and the preservation of New High Arctic’s non-capital tax loss pools.

### **Opinion**

Based upon and subject to the foregoing and such other matters as we considered relevant, it is our opinion that, as of the date hereof, the Consideration to be received by the Shareholders, pursuant to the Arrangement, is fair, from a financial point of view, to the Shareholders.

Yours very truly,

*Lightyear Capital Inc.*

**LIGHTYEAR CAPITAL INC.**

## APPENDIX “D”

### INFORMATION CONCERNING HIGH ARCTIC POST-ARRANGEMENT

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## NOTICE TO THE READER

Unless the context indicates otherwise, capitalized terms which are used in this Appendix "D" and not otherwise defined in this Appendix "D" have the meanings given to such terms under "Glossary of Terms" in the main body of the Circular.

## CORPORATE STRUCTURE

### General

High Arctic is a corporation existing under the ABCA and commenced operations on June 29, 2007 as a successor of High Arctic Energy Services Trust. On December 31, 2010 the Corporation amalgamated with its wholly-owned subsidiary High Arctic Energy Corp. The Corporation amended its articles of incorporation to consolidate its outstanding Common Shares on a five for one basis on June 14, 2011. On December 30, 2023, the Corporation amalgamated with its wholly-owned subsidiary, Delta Rental Services Ltd. (see, "*General Development of the Business and Three Year History - Three Year History - 2023*").

The head office of the Corporation is at 2350, 330 – 5th Avenue SW, Calgary, Alberta, Canada, T2P 0L4. The registered office of the Corporation is at Suite 1000 – 250 2nd Street SW Calgary, Alberta, Canada, T2P 0C1. The Corporation's telephone number is (403) 508-7836, the facsimile number is (403) 262-5176 and the website is [www.haes.ca](http://www.haes.ca).

The Corporation is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba and Ontario. The High Arctic Common Shares are listed on the TSX under the trading symbol "HWO".

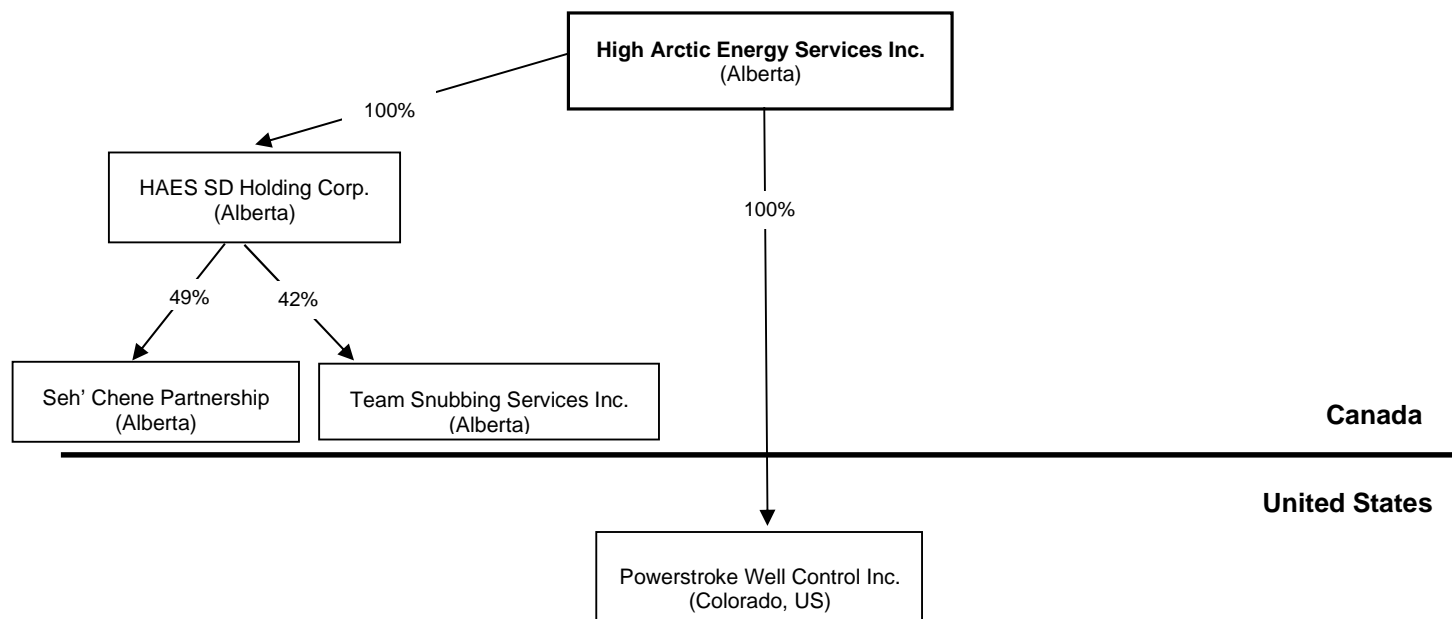
### Inter-corporate Relationships

After giving effect to the Arrangement, the subsidiaries of the Corporation actively carrying out business activities are expected to be as set forth below:

Entity	Percentage of Voting Securities controlled (directly or indirectly) by High Arctic	Physical Location	Jurisdiction of Incorporation or Formation
HAES SD Holding Corp	100%	Calgary, Canada	Canada
Seh' Chene Well Services Limited Partnership	49%	Calgary, Canada	Canada
Seh' Chene GP Inc.	49%	Calgary, Canada	Canada
Team Snubbing Services Inc.	42%	Calgary, Canada	Canada
Powerstroke Well Control Inc.	100%	Greeley, Colorado, US	US

## Organization Structure of the Corporation

The following diagram sets out the relationship among the Corporation and its active subsidiaries, after giving effect to the Arrangement:



## GENERAL DEVELOPMENT OF THE BUSINESS AND THREE-YEAR HISTORY

After giving effect to the Arrangement, High Arctic is expected to continue as an energy services company operating primarily in Western Canada. The product line will primarily consist of equipment rentals and predominantly oilfield pressure control equipment rentals. The Corporation also conducts snubbing and well servicing activities through its interests in Team Snubbing Services Inc. and in the Seh' Chene Well Services Limited Partnership. A description of each of High Arctic's services can be found below under "*Description of the Business*".

### Three-Year History

The following is a summary of the significant events in the development of High Arctic's business during the last three completed financial years.

#### 2021:

The Covid-19 pandemic continued into 2021. Governments around the world attempted to balance measures to contain the virus, including new and emerging virus variants, against the need to open economies. These measures, including intermittent lockdowns continued to impact global commercial activity, including reducing worldwide demand for energy, impacting High Arctic's business.

Improvements in the pandemic outlook led to resumption in air travel with easing of restrictions and corresponding increase in energy needs around the world, which resulted in oil prices stabilizing and then climbing as the year progressed. Benchmark indices including Brent Crude, WTI Crude, Western Canadian select, Alberta Natural gas all reached peaks not seen since the pre-pandemic period.

In PNG, a spike in Covid-19 cases that commenced in Q2-2021, resulted in travel bans imposed by its near neighbor countries, especially Australia for several months through the middle of the year. This ban resulted in the shutting

down of the primary source of skilled expatriate PNG workers. The result for High Arctic was the continuous cessation of all drilling and exploration activities and the deferral of customers project activities.

In July, the Corporation announced an agreement with a major multi-national customer in PNG to provide services for the abandonment of a complex legacy exploration well, and separately, the extension of its long-standing drilling services contracts with its cornerstone customer to August 2022. The year ended with Rig 115 assembling on site while operations commenced in January 2022 without incident.

There was optimism for PNG as the Corporation anticipated meaningful drilling activity for the coming years. An agreement was reached in early 2022 between the Government of PNG and the PNG-LNG partners on terms for the P'nyang gas field development. PNG's development plan phases P'nyang after the Papua LNG project, which could result in nearly a decade of continuous construction activity adding three LNG trains and significant investment in the region. There was a positive outlook for Canada too, as increasing demand for services and labour shortages experienced across the industry lead to supply tightening and improved pricing.

In Canada, the impacts of Covid-19 as well as labour shortages in the oil and gas services industry resulted in lower-than-expected operating hours in 2021. Early breakup saw a more active Q2-2021 than normal, however Canada continued to battle Covid19-outbreaks throughout 2021, with High Arctic experiencing meaningful site shutdowns during the second half of the year, enacting vaccination or negative-test requirements to minimise on site exposure. Despite Covid-19 headwinds, oil prices continued to rise driving up demand for oilfield services. High Arctic's activity remained steady throughout the year, hindered by Covid-19 outbreaks, soft activity levels with a key customer, and the inability to crew equipment due to labour shortages. High Arctic maintained positive profitability margins, via increased revenue per hour and strong cost controls, which included a \$2.5 million reduction in G&A expense in 2021 over 2020. The CEWS and Canada Emergency Rent Subsidy (CERs) programs ended on October 23, 2021, with these programs being replaced by new programs for the industries hardest hit by Covid-19, which High Arctic did not qualify for. High Arctic received government subsidies of approximately \$3.3 million in 2021 (\$6.3 million YTD-2020).

In October 2021, the Corporation announced a special one-time dividend payment of \$0.20 dollars per share to holders of Common Shares and paid dividends of \$9.7 million on November 5, 2021. In December 2021, the Corporation entered a mortgage arrangement with the Business Development Bank of Canada (BDC), for \$8.1 million secured by lands and buildings owned and occupied by High Arctic within Canada ("**Mortgage Financing**"). The Mortgage Financing provided the Corporation with liquidity and added to existing cash balances. The initial mortgage term is 5 years with a fixed interest rate of 4.30%, 25 year amortization and monthly payments. The existing Credit Facility with HSBC, which matures on August 31, 2023, was amended to accommodate the Mortgage Financing, reducing the availability from \$45.0 million to \$37.0 million and adding up to \$5.0 million of account overdraft outside of the covenant requirements.

## **2022:**

With the rebound of energy prices beginning late in the fourth quarter of 2021, cautious optimism returned to the sector following a prolonged period of uncertainty brought on by the Covid-19 pandemic. Entering 2022, global events propelled the energy sector into significant supply constraint. Sanctions against Russia combined with the actions of global energy and transport corporations reduced the supply of both oil and gas, stressing the market at a time of increasing energy demand as Covid-19 restrictions lifted. As a result, commodity price strength coupled with long-term security of supply assurances were expected to drive further increases in service activity.

With stability returning to the Canadian operations, Rig 115 active in PNG and an anticipated further increase in activities in PNG, the Corporation recommenced payment of a monthly dividend in the amount of \$0.005 per share commencing in April 2022. In addition, the Corporation replaced Computershare Trust Company as the registrar and transfer agent of the Corporation's Common Shares with Odyssey Trust Company.



After reflection on High Arctic's core strength, historical performance, and future opportunities, the Corporation made a strategic decision to divest certain well servicing and snubbing assets in Canada and focus on, in addition to other things, resurgent opportunities associated with our existing business in Papua New Guinea. In July 2022, High Arctic sold certain Canadian well servicing and snubbing assets, to two separate purchasers (the "**Sale Transactions**").

The divestment of the well servicing assets included High Arctic's Canadian well servicing fleet marketed under the Concord Well Servicing brand comprising 51 marketable rigs and 29 inactive and out of service rigs, as well as oilfield rental equipment associated with well servicing including 17 modern hydraulic catwalks purchased in 2021. The sale of the well servicing assets resulted in the transfer of High Arctic's Canadian well servicing employees and a large majority of Canadian support personnel to the purchaser. The Corporation received an aggregate of \$38.2 million in cash consideration for the sale of these well servicing assets. \$10.2 million was received in Q3-2022, and the remaining \$28.0 million was received in January 2023. Title to four Alberta real estate locations owned by the Corporation transferred to the purchaser concurrently with the final payment, with High Arctic retaining owned Alberta properties in Whitecourt and Clairmont. The purchaser also assumed the lease obligations for High Arctic's properties in Cold Lake and Acheson.

The divestment of the snubbing assets included High Arctic's Canadian snubbing fleet comprising seven marketable packages and 32 inactive and out of service snubbing units, underbalance hoists and associated support equipment. The Canadian snubbing assets were sold to Team Snubbing Services Inc., a private entity ("**Team Snubbing**"), in exchange for a 42% ownership interest in Team Snubbing valued at \$7.7 million and a convertible promissory note of \$3.4 million with a five-year term. Pursuant to a shareholders agreement between High Arctic and the other shareholders of Team Snubbing, High Arctic appointed two directors to the five-member board of directors of Team Snubbing, and key matters relating to the conduct of Team Snubbing's business will require not less than 65% shareholder approval.

Following the Sale Transactions, High Arctic continues to have significant exposure to production services activities through its interests in Team Snubbing and in the Seh' Chene Partnership. In addition, High Arctic retained its snubbing assets in the USA and its heli-portable workover rig in PNG. The Corporation also retained its Ancillary Services segment in Canada, which includes its nitrogen pumping business and remaining rentals business focused on pressure control equipment.

Due to the Sale Transactions, a significant portion of the assets pledged as security for the \$37 million HSBC Credit Facility no longer existed and therefore the credit facility was cancelled effective July 28, 2022.

The divestment of certain well servicing and snubbing assets in Canada in exchange for a strategic investment in Team Snubbing allowed our management to streamline the remaining Canadian business and focus more attention on the growth opportunities in PNG where we are excited about the opportunities for our Drilling Services segment as the next round of gas development projects materialize there. After experiencing a decline in drilling activity in 2020 and 2021 due to the Covid-19 pandemic, rig activity returned to Papua New Guinea in Q1-2022, with the successful deployment of Rig 115 to undertake the abandonment of a complex legacy exploration well for a key customer. Following mobilization of Rig 115 during Q4, 2021, the assembly and recommissioning of Rig 115 and equipment on site took place in January 2022 with well abandonment services commencing thereafter. The well was professionally capped and abandoned fulfilling a key ESG commitment. The rig was demobilized by the end of Q2-2022.

Throughout the year, High Arctic continued to provide labor, rig hands, tradesmen and expert personnel to customers in PNG, following the success of doing the same in 2021. As a result, the Corporation took steps to formalize the provision of personnel services to PNG industry, by reactivating the registration of PNG Industry Manpower Solutions Limited ("**PIMS**"). In Q3-2022, High Arctic renewed contracts with its primary customer in PNG for an additional three-year term, covering the Heli-portable Drilling Rig 103 and related services, and the provision

of personnel, camp accommodation, and rental equipment to support the drilling operations. In the second half of 2022, personnel and equipment commenced mobilizing to prepare Rig 103 for drilling activity, including a significant upgrade of the topdrive. Rig 103 was expected to commence drilling operations towards the end of Q1-2023.

### **2023:**

Operations re-commenced with Rig 103 for the Corporation's primary customer in PNG during the first quarter of 2023. The rig returned to finish the well that was left partially constructed when the Covid-19 driven international travel restrictions resulted in its suspension in March 2020. After completing that well the rig moved to the first of four JV-approved wells on the drilling schedule in the highlands of PNG. Rig 103 worked continuously through the remainder of the year.

Throughout 2023 the PIMS subsidiary in PNG deployed personnel to an increasing array of customers, with major customers comprising oil and gas exploration and production companies as well as an assortment of local and state owned companies. The manpower provision anchored the PIMS business and in the latter part of 2023 regular commercial training courses were offered to external customers.

On May 11, 2023, the Corporation announced that the Board of Directors intended to recommend to shareholders a tax-free cash return of capital equal to \$38.2 million relating to the sale of Canadian Well Servicing. The Board also signalled further intention to recommend a reorganization of the Corporation at a special meeting of the shareholders to effect the spinoff of the PNG Business.

Pursuant to an asset purchase agreement dated June 19, 2023, the Corporation sold its Canadian nitrogen pumping assets to a private Canadian energy services company for gross proceeds of \$1.35 million in cash ("**Nitrogen Sale**"). The transaction closed on July 31, 2023.

In August, the Corporation provided further detail on the benefits for, nature of, and conceptual arrangement for the reorganization and spinoff of the PNG Business. On September 28, 2023 the Corporation announced that due to shareholder feedback it was working with its advisors on the reorganization plan to incorporate key elements of the shareholder feedback, and that there was no certainty that the reorganization would proceed in the format previously announced, or at all.

On October 23, 2023 the Corporation announced the suspension of the monthly \$0.005 per Common Share dividend, while continuing to pursue a reorganization path that achieved both the strategic objectives of separation and addressed shareholder concerns.

On November 8, 2023 the Corporation announced that it had received a shareholder meeting requisition notice for the purpose of removing and replacing the Chairman of the Board and had set the date of January 10, 2024 for the meeting. The motion for removal was defeated at the meeting.

Through the year the Corporation benefited from its investment in Team Snubbing Services Inc. as Team Snubbing increased operational activity in Canada, setting new benchmarks for work hours and revenue each quarter, except for the traditional spring breakup in Q2-2023. Specifically High Arctic recorded \$803,000 in equity income and \$360,000 in dividends from its investment in Team Snubbing. Team Snubbing formalised their international partnership with C-Sence and commenced operations in Alaska as Team Snubbing International Inc. during 2023.

On December 28, 2023, High Arctic completed the acquisition of all the shares of Delta Rental Services Ltd. ("**Delta**") for cash consideration of \$3,430,000 and contingent consideration payable in a combination of cash and shares over a three-year period (the "**Delta Purchase Agreement**"). Delta was a privately-owned rentals company focused on pressure control equipment and equipment supporting the high-pressure stimulation of oil and gas wells along with other well site rental equipment. The terms of the Delta Purchase Agreement provide that each contingent consideration payment is to be adjusted up or down depending upon the amount of over or under performance of the acquired business relative to the targets. Issuance of the shares of High Arctic pursuant to the Delta Purchase Agreement will be subject to applicable regulatory approvals, including the approval of the TSX.

On December 30, 2023, High Arctic amalgamated with Delta.

## DESCRIPTION OF THE BUSINESS

High Arctic's North American Business is comprised of service offerings to the energy industry. These are delivered through its fully owned low operating cost, high margin rental services that are centred on oilfield pressure control equipment rentals, and other field deployable rental equipment, and marketed under the Delta Rental Services brand. Service offerings to the Energy Industry are also delivered through High Arctic's non-operated minority holding in Canada's largest and fastest growing snubbing services provider, Team Snubbing Services Inc.

Completing the North American Business are idled snubbing assets in Colorado, USA and investments in industrial properties at Whitecourt, Alberta which is the operational headquarters in Canada, and Clairemont outside Grande Prairie, Alberta which is leased to an unrelated company on long term contract.

Information concerning High Arctic's current business, including information with respect to its assets, operations and history (including certain recent developments), is also provided in the accompanying Circular including under the heading "*The Arrangement*". Readers are encouraged to thoroughly review these documents.

### Mission, Vision and Values

#### ***Mission Statement***

To provide services that unlock sustainable, reliable and affordable energy in demanding locations.

#### ***Vision Statement***

With a relentless focus on quality, be recognized as a trusted provider of energy services.

#### ***Values***

- **People**                we care for our people
- **Community**        we respect the people, cultures and places where we work
- **Trust**                we do what we say
- **Challenge**          we seek bespoke and innovative solutions
- **Customers**        we use our expertise to meet our customers objectives

### Background

After giving effect to the Arrangement, High Arctic will continue to operate its North American Business, primarily operating in Western Canada, and the PNG Business will be completely separated from High Arctic.

In July 2022 the Corporation made a strategic decision to complete the Sale Transactions, this was followed by the Nitrogen Sale in July 2023 and on December 28, 2023, High Arctic completed the acquisition of all the shares of Delta. Delta was a privately-owned rentals company focused on pressure control equipment and equipment supporting the high pressure stimulation of oil and gas wells along with other well site rental equipment.

Today, High Arctic retains in Canada a rentals business focused on pressure control equipment, snubbing assets in the USA which remain idle, industrial property and an investment in a private energy services company, Team Snubbing Services Inc.

The rentals business in Canada has historically been reported in High Arctic's Ancillary Services Segment, while the results from the 42% equity interest in Team Snubbing has been reported using the equity method of accounting, with Team Snubbing's net earnings recorded as income from equity investments in the respective reporting period.

#### ***Equipment Rental Services***

The North American Business has an extensive fleet of rental equipment in Canada. The Canadian rental fleet primarily consists of high-pressure blowout preventers, high pressure valves and spooling, high pressure pipework,

boilers, pumps, lighting towers, oilfield tubular handling tools and rig shacks. Rental of the Corporation's equipment is typically charged on a day rate basis.

### ***Snubbing Assets in the USA***

Snubbing is the process of moving the tubing and drill pipe into and out of a wellbore under pressure. The ability of the producing formation to flow in a permanently pressure-controlled environment is a significant advantage in successfully addressing common production problems in fluid sensitive formations, low pressure reservoirs, naturally fractured reservoirs, and low permeability sandstone reservoirs.

The North American Business has a fleet of snubbing equipment, which includes both stand-alone and rig assist units located in Greeley, Colorado USA. This equipment is available to provide fluid pumping, cleanup, pipe movement, equipment transportation, completion, well repair and well control services to producers in the Rockies region of the USA.

### ***Team Snubbing Services Inc.***

The Corporation, through its holding company High Arctic SD Holdings Corp., owns 42% of Team Snubbing Services Inc. a Canadian snubbing contractor with headquarters in Red Deer, Alberta. Team Snubbing is the largest snubbing company in Canada, by count of snubbing packages, deployed crews, headcount and revenue. Team Snubbing has its own dedicated management team that makes day to day decisions related to the operations of the business. Pursuant to a shareholders agreement between High Arctic and the other shareholders of Team Snubbing, High Arctic appointed two directors to the five-member board of directors of Team Snubbing and key matters relating to the conduct of Team Snubbing's business require not less than 65% shareholder approval, giving the Corporation an effective veto over any such decisions. However, the Corporation, whilst an active minority shareholder, is still dependent on Team Snubbing to manage and operate its business and to do so in compliance with the shareholders agreement, and applicable laws.

The largest activity of Team Snubbing's operations involve running production tubing to complete wells for production and at the 2023 year end Team Snubbing had 10 crews deployed in Western Canada with up to 6 active snubbing packages.

In 2023 Team Snubbing formalised their 50% owned international partnership and commenced operations in Alaska as Team Snubbing International Inc. ("TSI"). Subsequent to the 2023 year end, ownership in TSI was renegotiated following a default event by Team Snubbing's partner. Team Snubbing now holds over 90% of the shares in TSI and controls all of the voting stock. TSI currently has 2 snubbing packages positioned in Alaska which are expected to work for most of the year excluding the coldest period of winter from December through to February.

### ***Competition***

The Corporation competes with many service providers for its Rental Services. Other than the fleet of specialized blowout preventers and pressure control equipment which are solely used in the oil and gas industry, its remaining fleet of rental equipment is capable of being utilized in other industries beyond oil and gas development. While this provides an expanded market, it also increases the number of potential competitors.

Due to the specialized technical nature of the blowout preventors and pressure control equipment, the Corporation faces less competition for its core rental equipment. The factors that will allow the Corporation to remain competitive in the markets for its Rental Services are the Corporation's ability to supply the necessary equipment and services, with the highest degree of reliability and integrity in a timely manner and at competitive prices.

### ***Seasonality***

Operations impacting the North American Business and its operations are seasonal in nature and are impacted by weather conditions that may hinder our customers' ability to access locations or move heavy equipment. The highest rate of activity in the Canadian industry is typically during the winter season, from November through March when frozen ground conditions allow for the reliable movement of equipment in the field. The lowest period of activity is during spring breakup which commences with the thawing of the frozen winter ground around March until the

completion of wet spring weather around June. During this period, wet ground conditions restrict the movement of heavy equipment.

In Alaska it is the coldest periods of the winter that bring a cessation to Team Snubbing's activities as the equipment and environment is incapable of being reliably and safely operated at the extreme low temperatures. However, Alaskan industry is not subject to the same substantive spring thaw travel suspension as occurs in Canada.

The volatility in weather and temperature can create unpredictable activity and utilization rates, which can have a material adverse effect on the Corporation's business, financial condition, results of operations and cashflows.

### **Proposed Business Strategy for the North American Business**

Under new leadership and management, the North American Business will actively pursue accretive growth opportunities through mergers and acquisitions and will organically grow its core business through selective and opportunistic investments. The timing for this new and North American focussed strategy is extremely positive.

Over the past two years the Corporation has divested underperforming and non-core assets. Now the Corporation retains a low operating cost, a high margin equipment rental business centered upon pressure control, a non-operating, minority interest in Canada's largest oilfield snubbing services business, Team Snubbing Services Inc., and industrial properties at Clairmont and Whitecourt in Alberta, Canada.

During 2024, Canada is poised to expand oil and gas takeaway capacity to global markets. This is expected to be accomplished through pipeline projects, both expansionary and net-new, that access tidewater markets for both oil and natural gas. These developments are expected to add a degree of prosperity and stability to the upstream energy services activity. So too, the evolving attitudes to energy security and decarbonization are stimulating investment in both alternative energy supply and carbon sequestration. The standalone North American Business becomes vested in the pursuit of strategic opportunities aligned with these.

Future strategic direction is leveraged by our current investments in energy services and influenced by industry conditions and capital market trends. The current business footprint is poised for organic growth through service excellence to current and prospective customers. Looking out further, separation from the PNG business provides a framework for new Canadian leadership to optimize operational strategies, preserve financial positioning, and identify areas of profitable growth. The current Canadian energy services industry has numerous small well-run private companies that are seeking a liquidity event. There are limited buyers in the current market. Low trading multiples makes executing an accretive acquisition difficult for the limited buyers that are publicly traded.

The recent acquisition of Delta is an example of the underlying opportunities driving post-reorganization strategic direction.

From a corporate tax and shareholder return perspective, the Canadian business has considerable shelter from future corporate income taxes as the Corporation has more than \$130 million non-capital tax loss carry-forwards available. Preservation and utilization of these loss carry-forwards coupled with an effective business strategy provides an opportunity for potential superior future shareholder returns.

The Corporation has spent the period since the Sale Transactions rationalizing its revenue generating assets and promoting and expanding its rentable equipment business line. The particular niche market of pressure control equipment is at the core of High Arctic's legacy as a pioneer in snubbing and pressure control. Following the Delta acquisition, the Canadian rentals business now markets its services under the Delta Rental Service brand name. The Delta Rental Services brand is trusted by energy companies and service contractors alike, for customer service and provision of safety critical pressure control equipment.

High Arctic entered the industrial real-estate investment market through the long-term leasing of its owned and mortgaged property in Clairmont, Alberta, to Superior Fire Control Ltd. in 2022. The tightening of the market for industrial property in recent times, the predictable nature of the income derived from industrial property, and the low operating costs of managing and administering industrial property makes it an attractive component of the growth strategy.

The cornerstones for the initial post reorganization strategy for the North American Business include:

- a focus on Canadian business activity;
- growing the core business through selective and opportunistic investments;
- leveraging High Arctic's people, assets, systems and work processes;
- sustaining capital stewardship that preserves balance sheet strength and financial flexibility;
- building up the business with accretive acquisitions that allow the Corporation to optimize its available tax loss carry-forwards; and
- positioning for an efficient corporate structure, that provides the opportunity to consider transactions which would create value for the Corporation's shareholders.

Post reorganization the Corporation will be under-leveraged and it is intended that the Corporation will exit the reorganization with cash balances providing ample working capital to sustain the business and deliver upon budgeted growth investments. Financing of future M&A transactions will be dependent upon the scale of the transaction and the strategic merits of the use of equity. The Corporation expects to be in a position to raise debt financing based on both its own and the targets combined financial capacity to service the level of debt required.

### **Risks to the Business Strategy for the North American Business**

In addition to the Risks presented in the Corporation's public disclosure documents, there are certain specific risks to the Corporation being able to execute its business strategy. These risks include:

- inability to attract and retain key talent to manage and lead the Corporation;
- adequate access to sources of capital to pursue investments;
- emergence of technologies that reduce the Corporation's market for rental equipment, or its ability to compete within the market;
- the Corporation's ability to obtain and retain regulatory approvals for the strategic investments;
- changes to the business or to the Canadian Revenue Agency's interpretation of tax laws concerning the use of non-capital tax loss carry-forwards;
- the performance and management of Team Snubbing Services Inc. and other businesses the Corporation invests in via a non-controlling interest; and
- the availability and suitability of one or more transformative and accretive acquisitions.

### **Employees**

After giving effect to the Arrangement, it is expected that High Arctic will have 14 full-time employees (including officers).

### **DESCRIPTION OF SHARE CAPITAL**

The following is a summary of the rights, privileges, restrictions and conditions which will be attached to the New High Arctic Common Shares on the Effective Date after giving effect to the Arrangement. At that time, High Arctic will be authorized to issue an unlimited number of New High Arctic Common Shares. As of the date hereof, no New High Arctic Common Shares have been issued. Upon completion of the Arrangement, based on 49,122,302 High Arctic Common Shares outstanding as of the date hereof, approximately 12,280,575 New High Arctic Common Shares will be issued and outstanding. On a fully-diluted basis, assuming the redemption of all High Arctic DSUs, High Arctic PSUs, and High Arctic RSUs in exchange for High Arctic Common Shares prior to the Effective Date, approximately 12,603,228 New High Arctic Common Shares will be issued and outstanding upon completion of the

Arrangement. The New High Arctic Common Shares are expected to trade on the TSX or the TSXV under the symbol “HWO”.

### **New High Arctic Common Shares**

The holders of New High Arctic Common Shares will be entitled to receive dividends if, as and when declared by the High Arctic Board. The holders of New High Arctic Common Shares are entitled to receive notice of and to attend all meetings of shareholders and are entitled to one vote per High Arctic Common Share held at all such meetings. In the event of the liquidation, dissolution or winding up of High Arctic or other distribution of assets of High Arctic among its shareholders for the purpose of winding up its affairs, the holders of New High Arctic Common Shares will be entitled to participate rateably in any distribution of the assets of High Arctic.

The New High Arctic Common Shares are expected to trade on the TSX or the TSXV and the effective date of trading is expected to be 3 or 4 business days after the Effective Date.

See “*Certain Legal and Regulatory Matters – Stock Exchange Listings*” in this Circular.

### **High Arctic Preferred Shares**

High Arctic is authorized to issue an unlimited number of Preferred Shares. The Preferred Shares may be issued from time to time in one or more series, each consisting of such number of Preferred Shares as determined by the board of directors of the Corporation, who also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. The Preferred Shares of each series shall, with respect to payment of dividends and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Preferred Shares of every other series and shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares. As at December 31, 2023 and the date hereof, no Preferred Shares have been issued and none are expected to be issued upon completion of the Arrangement.

## **DIVIDENDS AND DISTRIBUTIONS**

On May 17, 2012, the Corporation instituted a dividend policy and the first monthly dividend of \$0.01 per Common Share was paid on June 14, 2012. In March 2013, the Corporation increased its monthly dividend to \$0.0125 per share and subsequently increased it to \$0.0165 per share in November 2014 which remained in effect until March 2020. In 2020, the Corporation suspended its monthly dividend of \$0.0165 per share.

In 2021, the Corporation declared a one-time special dividend of \$0.20 per Common Share.

In April 2022, the Corporation recommenced its monthly dividend at \$0.005 per Common Share.

In October 2023, the Corporation suspended its monthly dividend of \$0.005 per Common Share. The Corporation has not declared any dividends since this suspension.

The table below summarizes the total annual dividends paid to shareholders in each of the last three fiscal periods.

<b>For the Year Ended</b>	<b>Aggregate Annual Dividend per Common Share</b>
2021	\$0.200
2022	\$0.045
2023	\$0.050

Post-Arrangement, the payment of dividends by High Arctic will be established by the Board after considering numerous factors including: (i) the earnings of High Arctic; (ii) financial requirements for High Arctic's operations;

(iii) the satisfaction by High Arctic of liquidity and insolvency tests described in the ABCA; and (iv) any agreements relating to High Arctic's indebtedness that restrict the declaration and payment of dividends.

The declaration and payment by the Corporation of any future dividends or distributions on the Common Shares and the amount will be at the discretion of Board and will be established on the basis of the Corporation's earnings, financial requirements, statutory solvency tests, any contractual restriction on such dividends and other conditions existing from time-to-time. There can be no assurance that the Corporation will pay any dividends or distributions in the future.

### CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of High Arctic as at December 31, 2023, prior to giving effect to the Arrangement and after giving effect to the Arrangement.

Designation	As at December 31, 2023	As at December 31, 2023 after giving effect to the Arrangement
<b>Shareholder Capital</b>		
Common Shares (unlimited) <sup>(2)</sup>	\$99,332,000	\$55,538,000
	49,122,302 High Arctic Common Shares <sup>(1)</sup>	(12,603,228 New High Arctic Common Shares <sup>(2)</sup> )

Notes:

- (1) Does not include the 117,000 High Arctic Options issued and outstanding as at December 31, 2023 having a weighted average exercise price of \$1.39 per share.
- (2) On a fully diluted basis, assuming the conversion of all High Arctic DSUs, High Arctic PSUs and High Arctic RSUs to High Arctic Common Shares prior to completion of the Arrangement.

### PRIOR SALES

The following table summarizes the High Arctic Common Shares or securities convertible into High Arctic Common Shares from January 1, 2023 to the date hereof.

Date of Issuance	Description of Transaction	Number of Securities Issued	Number of Securities Granted	Price per Security / Exercise Price
December 1, 2023	Exercise of Performance Share Units	448,734	nil	\$1.12

In connection with the Arrangement and based on the number of issued and outstanding High Arctic Common Shares as of the date hereof, it is expected that 12,280,575 New High Arctic Common Shares will be issued to High Arctic Shareholders on the Effective Date of the Arrangement. In addition, if all High Arctic PSUs, High Arctic RSUs and High Arctic DSUs are redeemed prior to the Effective Date of the Arrangement for High Arctic Common Shares as of the date hereof, an additional 322,653 New High Arctic Common Shares will be issued on the Effective Date.

### TRADING PRICE AND VOLUME

The High Arctic Common Shares are traded on the TSX under the symbol "HWO". The following table sets forth the price range (high and low closing prices) in Canadian dollars of High Arctic Common Shares and volume traded on the TSX, as applicable, for the periods indicated (as reported by the TSX).

	High (\$)	Low (\$)	Volume
<b>2023</b>			
January	1.65	1.46	376,983
February	1.61	1.37	297,368
March	1.51	1.26	475,146
April	1.36	1.00	696,687
May	1.37	0.97	1,280,032



	High (\$)	Low (\$)	Volume
June	1.27	1.15	445,294
July	1.34	1.21	233,672
August	1.44	1.26	563,043
September	1.43	1.19	485,645
October	1.26	0.95	381,453
November	1.16	1.05	261,923
December	1.21	1.06	246,670
<b>2024</b>			
January	1.20	1.055	262,740
February	1.13	1.01	203,337
March	1.11	1.05	169,785
April	1.35	1.03	1,272,234
May 1 - 8	1.34	1.28	106,313

## PRINCIPAL SHAREHOLDERS

To the knowledge of the Corporation, as of the effective date of this Circular, there are no persons who will, immediately following the Arrangement becoming effective, beneficially own, or control or direct, directly or indirectly, voting securities of the Corporation carrying 10 percent or more of the voting rights attached to any class of voting securities of the Corporation, other than FBC Holdings Sàrl, which owns 21,916,634 High Arctic Common Shares representing approximately 44.6% of the outstanding High Arctic Common Shares.

## DIRECTORS AND SENIOR OFFICERS OF HIGH ARCTIC POST-ARRANGEMENT

### Board of Directors

Upon completion of the Arrangement and assuming all directors proposed by High Arctic are elected at the Meeting, the High Arctic Board will consist of Simon Batcup, Douglas Strong, Michael Binnion, and Craig Nieboer. See “*Particulars of the Matters To Be Acted Upon - 3. Election of Directors*”. It is expected that Simon Batcup will be appointed as Chairman of the Board.

### Senior Officers

A diverse and experienced management team has been assembled to lead High Arctic post-Arrangement and will continue to assess High Arctic’s longer-term strategy and organizational needs. All senior officers of High Arctic will meet the high standards to be set by the High Arctic Board which are expected to include, but not be limited to, strong business ethics, adherence to proper corporate governance and knowledge of public company compliance.

The following are brief biographies of each of the senior officers of High Arctic post-Arrangement, including a description of their present occupations and their principal occupations during the last five years.

#### *Simon Batcup, Chairman*

Mr. Batcup has been actively involved in executive management of numerous private and public companies, as both owner and investor. He is a consultant with Osborne Interim and was formerly chairman of Brauerei Fahr, a brewery based in Turner Valley. Mr. Batcup has been a director of the corporation since 2007. Mr. Batcup will oversee the governance of the Corporation while leading the search for a permanent CEO.

#### *Mike Maguire, Interim CEO*

Mr. Maguire was appointed as Chief Executive Officer on March 23, 2020. He joined the Corporation as Vice-President, International Operations in December 2013 and was appointed President, International Operations in December 2016. Prior to that, he spent seven years with Easternwell Group in various positions of increasing seniority. Mr. Maguire will oversee the effective management of the Corporation while assisting with the search for, and transition to a permanent CEO.

*Lonn Bate, CFO*

Mr. Bate has been Interim Chief Financial Officer since August 17, 2023, having initially joined High Arctic in March 2023. Mr. Bate is a Chartered Professional Accountant, CA with over 25 years of broad financial leadership including substantial periods in senior executive roles of public and private junior energy and energy services companies. Mr. Bate's experience extends to international as well as the Canadian energy sector. He brings extensive knowledge in financial stewardship, strategic planning and analysis, equity and debt financing, company reorganizations, mergers and acquisitions, and consolidating global finance teams.

*Trevor Barker, General Manager - Operations*

Mr. Barker has been General Manager – Operations at High Arctic since July 2022, overseeing the day to day management and administration of the services provided by High Arctic to customers in North America. Mr. Barker has overseen the divestment of High Arctic's nitrogen pumping business, the reorganisation of staffing and growth of High Arctic Rentals. He brings extensive knowledge in rental company management and particularly pressure control equipment. Mr. Barker was initially appointed as Rentals Manager in 2017, having held increasing senior management and sales roles in pressure control rentals at the Canadian subsidiary of a large multi-national oilfield services provider.

*Justin Morrical, Business Development Manager*

Mr. Morrical joined High Arctic with the acquisition of Delta Rental Services, a company that he co-founded with Scott Odegard in 2016, where he was President and Managing Director. Mr. Morrical has an extensive history in oilfield rentals including 9 years service at Aero Rentals where he held roles of increasingly seniority prior to leaving to start Delta.

It is anticipated that the directors and senior officers of High Arctic post-Arrangement, as a group, will beneficially own, directly or indirectly, or exercise control or direction over less than 381,848 New High Arctic Common Shares or approximately 7.8% of the number of New High Arctic Common Shares that will be outstanding immediately following completion of the Arrangement, based upon the number of High Arctic Common Shares so owned or controlled by such persons as of the date hereof, and assuming conversion of all High Arctic DSUs, High Arctic PSUs and High Arctic RSUs to High Arctic Common Shares prior to the Arrangement.

## **RISK FACTORS**

If any event arising from the risk factors set forth below or described under the heading "*Risk Factors*" in this Circular occurs, High Arctic's business, prospects, financial condition, results of operation or cash flow and, in some cases, its reputation could be materially adversely affected. See "*Risk Factors*" in this Circular and the risk factors set out below.

### **Risk Factors Related to the Arrangement and High Arctic Specifically**

#### ***Financing of High Arctic Following the Arrangement***

A significant portion of the Corporation's current activities are conducted in PNG. Following the Arrangement, High Arctic may need to raise financing on a stand-alone basis without reference to the PNG Business. Following the Arrangement, High Arctic may not be able to secure adequate debt or equity financing on desirable terms or at all.

#### ***Historical Financial Information of PNG Business Not Indicative of Future Results***

The PNG Business that SpinCo will acquire pursuant to the Arrangement have been part of High Arctic for a number of years. In the past, the PNG Business operated in the context of High Arctic's business as a whole. Although High Arctic expects to benefit from decoupling the PNG Business, High Arctic may be less successful in realizing the aims of its business strategy. As a result, High Arctic may experience significant fluctuations in its results, which may vary from those projected by management. No assurance can be given that High Arctic will be successful in implementing its business strategy or that it will achieve expected future results which could materially adversely affect High Arctic's business and financial condition.

### ***Transition and Management of Growth***

High Arctic may be subject to both transition and growth-related risks, including capacity constraints and pressure on its internal systems and controls. High Arctic will have carried on an operating business prior to completion of the Arrangement, however, a significant portion of High Arctic's activities have been conducted in PNG. As a result, High Arctic may lack sufficient resources to stand-alone and operate primarily in Western Canada. The historical financial and operating results of the High Arctic while it controlled the PNG Business may not be indicative of future results. The ability of High Arctic to manage its future growth effectively will require it to continue to implement and improve financial and land systems and to expand, train and manage its employee base. The inability of High Arctic to deal with this transition and growth may have a material adverse effect on High Arctic's business and financial condition.

### **Risk Factors Related to High Arctic's Business in General**

#### ***Risks Applicable to the Oil and Gas Industry in General***

The success of the Corporation will be dependent to a great extent on the health of the energy industry in Canada which, in turn, is driven in large part by commodity prices. As a service provider to this industry, the Corporation is exposed to various risks, including:

- volatility in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- the Russia-Ukraine conflict has had a significant impact on many aspects of the global economy. It has affected geopolitical relations between Russia and other countries, disrupted oil and gas supply chains, led to an increased focus on energy security and increased demand for energy services from other regions. This conflict could continue to cause disruption in the long term due to political tensions, policy changes and economic factors;
- the emergence of conflict in the middle-east has increased risk to safe transportation and shipping via the Suez Canal and threatens to impact global commodities trade including oil and LNG;
- general economic and political conditions in jurisdictions in which the Corporation operates including variations in currency exchange rates, interest rates and income tax rates;
- macroeconomic events can have a wide-ranging effect on the global economy. This includes increasing prices of commodities, impacts of government fiscal policy, increased costs of doing business and higher borrowing costs due to rising interest rates;
- risks inherent in foreign operations, including political, economic risk and the risk of foreign currency controls that could restrict the transfer of funds in or out of countries in which the Corporation operates or result in the imposition of taxes on such transfers;
- lingering affects of the Covid-19 pandemic which has caused widespread economic volatility, with effects ranging from restrictions on freedom of movement and disruptions to deployment of labour force, international trade, and tourism;
- suppliers and third-party vendors experiencing workforce disruption or being ordered to cease operations;
- the implications of changes to government and government policy in North America;
- government and regulatory approval of our customers' projects;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental guidelines, climate change policy, and provincial production caps;
- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the workover and completion of oil and natural gas wells;

- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks arising below ground surface;
- credit risks associated with customers in the oil and natural gas industry, including the inability of a significant customer to pay for goods and services that have been provided; and
- uncertainties in weather affecting the ability to provide services and/or the duration of the service periods and the activities that can be completed, including the seasonality that affects industry activity in Canada.

These factors may have an impact upon the Corporation's customer base which, in turn, would impact the Corporation's business prospects. The following provides a further description of the risks associated with the Corporation's business and the oilfield services business in general. This list should not be taken as an exhaustive list, nor should it be taken as a complete summary or description of all the risks associated with the Corporation's business.

### ***Volatility of Industry Conditions***

The demand, pricing and terms for the Corporation's services depend significantly upon the level of expenditures made by oil and gas companies on exploration, development and production activities. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for High Arctic's services is high. The converse is also true. Historically, oilfield services companies are more sensitive to crude oil price volatility compared to companies doing exploration and production.

Over the past few years, crude oil and gas prices have experienced significant fluctuations and are expected to remain volatile in the future. In late 2014, crude oil prices underwent a substantial decline and remained suppressed until the later part of 2021, influenced by various factors beyond High Arctic's control. These factors include global energy supply, production, and policies, such as OPEC's ability to set and maintain production levels to influence or control oil prices, non-OPEC countries' oil and gas production, consumer demand, political conditions (including the risk of war involving producer countries, hostilities in the Middle East, and global terrorism), global and domestic economic conditions (including currency fluctuations), export, production, and delivery costs, technological advancements affecting energy consumption, weather conditions, and the impact of worldwide energy conservation and greenhouse gas reduction measures, as well as the price and availability of alternative energy sources, and government policies and regulations. Ongoing fluctuations in demand due to global events, such as the Russia-Ukraine conflict and high global cost inflation, have further contributed to the volatility in oil and gas prices.

The commencement of conflict between Russian forces and Ukraine in February 2022 was a significant event that had global repercussions. This conflict led to a heightened level of geopolitical tensions, as well as increased sanctions on Russia from countries around the world. The international community was quick to condemn Russia for its actions, and the sanctions were put in place to pressure Russia to change its behavior. One of the consequences of these actions was a subsequent rise in global oil and gas prices. This was due to the fact that Russia is one of the world's largest oil and gas producers, and the sanctions on the country disrupted the global supply chain. As a result, prices rose, which had a significant impact on the global economy. It remains unclear how the escalation of geopolitical risks resulting from the conflict in Ukraine will affect the global oil and gas industry and corporations in the future. This is a matter of concern for many, as the oil and gas industry is one of the most important sectors of the global economy.

Another factor that influenced global oil prices was the return of energy demand following the relaxation of government controls associated with the Covid-19 pandemic. As economies around the world recovered and the global movement of people and goods returned, the demand for oil and gas increased, which led to higher prices. However, as a consequence of high energy prices and other factors, high cost-inflation manifested globally and fears of recession began to dominate many markets. As a consequence, energy demand growth curtailed towards the end of the year driving prices lower, OPEC responded with cuts to output targets in November and prices stabilized somewhat.

Based on OPEC's responses to changing market conditions in recent years, it is evident that the organization will continue to try to ensure healthy oil prices globally. However, perceived limits of the spare capacity of OPEC members and their ability to increase production to meet increasing demand creates additional uncertainty regarding oil prices going forward. This uncertainty makes it difficult for corporations and investors to plan for the future, as they must consider the potential impact of changing market conditions on the oil and gas industry and global economies.

In addition to the volatility of oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors in the industry over which the Corporation has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability and expected availability of pipeline and other oil and gas transportation capacity; North American natural gas storage levels; demand for heating and cooling; availability and pricing of alternate energy sources; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital and/or debt financing; and currency fluctuations in the jurisdiction where we operate. A further decline in expenditures by oil and gas companies caused by the fluctuations in and uncertainty regarding crude oil pricing and low natural gas prices or otherwise, could have a material adverse effect on High Arctic's business, financial condition, results of operations and cash flows. Conversely, a sustained recovery and increase in oil and gas prices could drive a material improvement in demand for and pricing of High Arctic's services. Such recoveries create a business risk to the Corporation as well, including the need to ensure appropriate levels of operating and support personnel are available to the organization to allow for the continuation and growth of quality service to our customers and appropriate returns to our shareholders.

#### ***Pipeline Constraints and Energy Industry Uncertainty***

Ongoing uncertainties persist in the Canadian oil and gas industry, with muted industry activity due to significant differentials for Western Canadian Select and other crude grades compared to WTI and other benchmark North American oil prices. This discourages long-term capital investments in the country, as it is caused by a surplus of oil production in Western Canada relative to the takeaway capacity due to pipeline constraints including tidewater access to European and Asian markets. Certain pipeline projects are nearing completion to partially alleviate this situation. Both the Trans Mountain pipeline expansion and Coastal Gas Link pipeline will, if completed, provide long-awaited tidewater access to Asian and other markets.

In North America, pipeline construction activity has been generally subdued after a period of rapid capacity expansion that was interrupted by the market collapse in 2020. Additionally, there are increasing environmental and political challenges to large midstream projects, and the Biden administration's more adversarial stance toward fossil fuels in pursuit of stricter national climate policies has only heightened these challenges. This shift is exemplified by the effective cancellation of the Keystone XL project on the president's first day in office. These factors have caused North American midstream construction to focus more on upgrades and expansions of existing systems, rather than major greenfield projects.

#### ***Reliance on Key Personnel***

The success of the Corporation is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Corporation. The Corporation's ability to provide reliable and quality services is dependent on its ability to hire and retain a dedicated and quality pool of employees. The Corporation strives to retain employees by providing a safe working environment, competitive wages and benefits, and an atmosphere in which all employees are treated equally regarding opportunities for advancement. The unexpected loss of key personnel or the inability to retain or recruit skilled personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

#### ***Excess Equipment Levels in the Industry***

Due to the long-life nature of oilfield service equipment and the long delivery time for equipment being manufactured, the quality of equipment available does not always correspond with the demand for its use. Periods of high demand often lead to increases in capital expenditures, which in turn lead to increased supply. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact the Corporation's profitability if there is a subsequent reduction in demand. Additionally, the Corporation could fail to secure sufficient work in which to employ its equipment, which could have a material adverse effect on the Corporation's business, results of operations, financial conditions and cash flows.

### ***Competition***

The energy services industry is highly competitive and the Corporation competes with a number of companies which may have more equipment and personnel as well as greater financial resources. The Corporation's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation or that new or existing competitors will not enter the various markets in which the Corporation is active. In certain aspects of its business, the Corporation also competes with several small and medium-sized companies, which, like the Corporation, have certain competitive advantages such as low overhead costs and regional strengths. In addition, reduced levels of activity in the oil and natural gas industry can intensify competition and may result in lower revenue for the Corporation.

### ***Safety Performance***

Standards for the prevention of incidents in the energy industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. Safety is captured in our Health and Safety Policy, which states that we value human life above all, and will not prioritize profit over safety. No job is so urgent or important that the necessary steps for safety cannot be undertaken. Many customers consider safety performance a key factor in selecting oilfield service providers. Deterioration of the Corporation's safety performance could result in a decline in the demand for the Corporation's services and could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

### ***Operational Risk and Insurance***

The Corporation's operations are subject to operational risks inherent in the energy industry. These risks include equipment defects, malfunction and failures, human error, natural disasters, vehicle accidents, explosions, and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to the source formations, damage to facilities, business interruptions and damage to or destruction of property, equipment and the environment. These risks could expose the Corporation to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees, and regulators.

Although the Corporation contractually limits and excludes certain potential liabilities and maintains insurance coverage that it believes is adequate and customary for a contractor in the oilfield services industry, there can be no assurance that such insurance will be adequate to cover the Corporation's future liabilities. In addition, there can be no assurance that the Corporation will be able to maintain adequate insurance at rates it considers reasonable and commercially justifiable.

The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by the Corporation, or a claim at a time when the Corporation is not able to obtain adequate insurance, could have a material adverse effect on the Corporation's ability to conduct normal business operations and on its financial condition, results of operations and cash flows.

### ***Government Regulation and Anti-Bribery Laws***

The operations of the Corporation in Canada and elsewhere are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Such laws or regulations are subject to change and may have a material impact to the Corporation's operations or costs to comply with changes to such laws or regulations in the future. Accordingly, it is impossible to predict the cost or impact that such laws and regulations may have on the Corporation or its future operations.

The Corporation's obligation to comply with laws and regulations also includes those involving bribery and anti-corruption. Post-Arrangement, High Arctic will operate primarily in western Canada and may expand its operations to other locations in the future. In the course of the Corporation's operations, High Arctic personnel may be required to interact with certain government and foreign officials from time to time. The Corporation has controls, policies, procedures, and training that mandate the compliance with these laws and regulations, however there can be no assurance that employees or consultants will not violate these controls, policies, and procedures. Any alleged violation of these laws and regulations could disrupt the business and cause High Arctic to incur significant costs to investigate any alleged breach. If High Arctic was found to be in contravention of these laws and regulations, severe civil and criminal penalties and other sanctions could materially harm their reputation, business, result of operations, financial conditions, and liquidity.

### ***Sources, Pricing and Availability of Equipment and Equipment Parts***

The Corporation sources its equipment and equipment parts from a variety of suppliers which are located throughout the world. Failure of suppliers to deliver supplies and materials in a timely and efficient manner would be detrimental to the Corporation's ability to maintain levels of service to its customers. The Corporation is also dependent on the technical services of other parties for certain parts and services. High Arctic attempts to mitigate this risk by maintaining good relations with key suppliers. However, if the current suppliers are unable to provide the supplies and materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to our clients could have a material adverse effect on our results of operations and our financial condition.

### ***Alternatives to and Changing Demand for Petroleum Products***

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and alternative energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

### ***Climate Change, Natural Disasters and Environmental Regulations***

The effects of climate change, including physical and regulatory impacts, could have a negative impact on our operations and the demand for oil and natural gas. Laws, regulations or treaties concerning climate change or greenhouse gas emissions, including incentives to conserve energy or use alternate sources of energy, can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on High Arctic. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties. Natural disasters may result in delays or cancellation of some of our customer's operations or could increase our operating costs (such as insurance costs), which could have a material adverse affect on our business and operating results.

The Paris Agreement, which was drafted at the United Nations Framework Convention on Climate Change in December 2015, has been signed by Canada. However, the effect of this agreement and other climate-related legislation, as well as the adoption of additional measures at the federal, state, provincial or local levels in Canada,

is currently unpredictable. The growing concerns about climate change have led to opposition from environmental activists and the public towards the continued exploitation and development of fossil fuels. As a result, investors are becoming increasingly hesitant to invest in the oil and gas industry. Furthermore, there has been a movement to hold governments and oil and gas companies accountable for climate change through climate litigation. In November 2022, countries worldwide met in Egypt for the COP 27 global climate summit. During the summit, the governments committed to achieving net-zero emissions from national government operations no later than 2050 and discussed the impacts of climate change, reaffirming the goal to limit temperature rise to 1.5 degrees Celsius. Governments and non-governmental organizations continue to make efforts to reduce greenhouse gas emissions, which may ultimately reduce the growth in demand for oil and natural gas and, in time, reduce consumption. In addition, the implementation of policies by certain institutions that discourage investments in the industry could have adverse effects on financing costs, as well as the industry's access to liquidity and capital. COP 28 held in Dubai in 2023 saw an acknowledgment of the role petrochemicals play in the global economy through representation for the first time at a COP conference. The key takeaway from the conference was a commitment to transition away from fossil fuel energy, invest in carbon-reduction technologies and address methane leakage emissions.

Criticism of the oil and gas industry could harm our reputation and erode shareholder confidence and public support. While the Corporation is not a significant contributor to greenhouse gas emissions, mandatory emission reductions may increase operating costs and capital expenditures for oil and gas producers, which could decrease the demand for our services. As the dialogue regarding climate change and greenhouse gas control continues to evolve and new requirements emerge, we cannot predict the impact of current and impending emissions reduction legislation on the Corporation and its customers. Such impact could have a material adverse effect on our business, financial condition, results of operations and cash flows. The Corporation is committed to addressing environmental concerns and taking a proactive approach.

Due to these foregoing climate change risks, we have been and continue to use our know-how to develop ways to assist our customers to reduce their greenhouse gas emissions through the provision of our services. The Corporation did not incur any material expenditure in the past year as a result of environmental protection requirements, nor does it anticipate environmental protection requirements to have a material financial or operational impact on the capital expenditures, earnings, or competitive position of the Corporation in 2024.

### ***Environmental***

All phases of the energy sector including the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require High Arctic to incur costs to remedy such discharge. Although High Arctic believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on High Arctic's business, financial condition, results of operations and prospects.

### ***Pandemic Risk***



The outbreak of epidemics, pandemics, and other public health crises in geographic areas in which the Corporation has operations, suppliers, customers, or employees, including the global outbreak of the Covid-19 pandemic, may increase our exposure to, and magnitude of, each of the risks identified herein, resulting from a reduction in demand for crude oil and natural gas consumption and/or lower commodity prices. Our business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, ability to fund dividend payments and/or business plans may without limitation, be adversely impacted as a result of:

- the delay or suspension of work due to workforce disruption or labour shortages caused by workers becoming infected, or government or health authority shelter in place orders, quarantine orders, mandated restrictions on travel by workers or closure of facilities, workforce camps or worksites;
- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to suspend operations;
- reduced cash flows resulting in less funds from operations being available to fund our capital expenditure;
- counterparties being unable to fulfill their contractual obligations to us on a timely basis or at all;
- the capabilities of our information technology systems and the potential heightened threat of a cybersecurity breach arising from the increased number of employees working remotely;
- our ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, foreign currency exchange rates, commodity prices and/or a change in market fundamentals; and
- an overall slowdown in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the Covid-19 pandemic, it is uncertain whether Covid-19 will resurge, and the full extent of the impact that Covid-19 will have on our business, financial condition, results of operations or cash flows cannot be predicted.

### ***Financing Risk***

The Corporation is exposed to risk associated with access to equity capital and debt financing required for business needs and the risk that necessary capital cannot be acquired on a timely basis, on reasonable terms to the Corporation, or at all. The asset base, working capital, existing mortgage debt, profitability of existing operations, and future projected activities impact the ability of the Corporation to access debt and equity financing. Where additional financing is raised by the issuance of Common Shares or securities convertible into Common Shares, control of the Corporation may change, and shareholders may suffer dilution to their investment.

### ***Liquidity Risk***

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to continually monitor its financial resources to provide sufficient liquidity to meet its liabilities when due. The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating, and authorizing project expenditures, and authorization of contractual agreements. The Corporation seeks to manage its financing based on the results of these processes.

### ***Global Financial Markets***

Recent market events and conditions, have created a climate of greater volatility, less liquidity, and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have negatively impacted credit markets and caused stock markets to experience significant volatility.

### ***Volatility in Market Price of Common Shares***

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following: (i) actual or anticipated fluctuations in High Arctic's financial results; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other companies that investors deem comparable to High Arctic; (iv) the loss or resignation of members of Management or the Board and other key personnel of High Arctic; (v) sales or perceived sales of additional Common Shares; (vi) significant acquisitions, asset dispositions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving High Arctic or its competitors where High Arctic does not realize its anticipated benefits from such transaction; (vii) trends, concerns, technological or competitive developments, regulatory changes and other related issues in the oil and natural gas industry; and (viii) actual or anticipated fluctuations in interest rates.

Financial markets have experienced significant price and volume fluctuations in recent years that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if High Arctic's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values which may result in impairment losses.

### ***Third Party Credit Risk***

The Corporation's accounts receivable is predominantly with customers who explore for and develop petroleum reserves and are subject to normal industry credit risks. The Corporation assesses the creditworthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

The Corporation views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. During times of weak economic conditions, the risk of increased payment delays and default increases due to reductions in customers' cash flows. Failure to collect accounts receivable from customers could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. High Arctic generally grants unsecured credit to its customers; however, it evaluates all new customers, as appropriate, and analyzes and reviews the financial health of its current customers on an ongoing basis.

The Corporation has a wide range of customers comprised of small independent, intermediate, and large multinational oil and gas producers. Management has assessed the customers as creditworthy and the Corporation has had no history of collection issues with its customers, however, the inability for the Corporation's customers to meet their financial obligation to the Corporation could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

### ***Tax Compliance***

The taxation of corporations is complex. In the ordinary course of business, the Corporation is subject to ongoing audits by tax authorities. While the Corporation will endeavour to ensure that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, the calculation of taxable income, taxes payable and related tax filings may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on the Corporation's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect the Corporation's tax position. As a consequence, the Corporation is unable to predict with certainty the effect of the foregoing on the Corporation's effective tax rate and earnings.

The Corporation will regularly review the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from the provisions, the Corporation's effective tax

rate and earnings may be affected positively or negatively in the period in which the matters are resolved. the Corporation intends to mitigate this risk through ensuring that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

### ***Income Tax Risk***

The Corporation has risks for income tax matters, including the unanticipated tax and other expenses and liabilities of the Corporation due to changes in income tax laws. The Corporation must file tax returns in the foreign jurisdictions in which it operates. The tax laws and the prevailing assessment practices are subject to interpretation and the foreign authorities may disagree with the filing positions adopted by the Corporation. The impact of any challenges cannot be reliably estimated and may be significant to the financial position or overall operations of the Corporation.

### ***Capital and Additional Funding Requirements***

The Corporation's cash flow from the North America Business may not be sufficient to fund its ongoing activities at all times, and from time to time the Corporation may require additional financing in order to carry out its business activities. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, the Corporation's access to additional financing may be affected. The inability of the Corporation to access sufficient capital for its operations could materially adversely affect the Corporation's financial condition.

The Corporation may, from time to time, have restricted access to capital and increased borrowing costs as a result of global economic volatility. Failure to obtain such financing on a timely basis could cause the Corporation to miss certain acquisition opportunities and reduce or terminate the Corporation's operations. the Corporation's ability to make capital investments and maintain existing assets may be impaired, and the Corporation's assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

The Corporation is currently under-leveraged and it is intended that the Corporation will exit the reorganization with cash balances providing ample working capital that combined with expected funds generated from operations, the Corporation believes it will have sufficient funds available after the Arrangement to sustain the business and fund its projected capital expenditures. However, if funds generated from operations are lower than expected or capital costs for these projects exceed current estimates, or if the Corporation incurs major unanticipated expenses related to development or maintenance of its existing assets, it may be required to seek additional capital to maintain its capital expenditures at planned levels.

### ***Dilution***

High Arctic may make future acquisitions or enter into financings or other transactions involving the issuance of securities of High Arctic which may be dilutive.

### ***Issuance of Debt***

From time to time, the Corporation may finance its activities, including potential future acquisitions, in whole or in part with debt, which may increase High Arctic's debt levels above industry standards for peers of similar size. Depending on future exploration and development plans, High Arctic may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither High Arctic's articles nor its by-laws limit the amount of indebtedness that High Arctic may incur. The level of High Arctic's indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

### ***Interest Rate Risk***

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation's Mortgage Facility has an initial interest rate that is fixed for the first five year term

commencing in December 2021, thereby reducing exposure to near-term interest rate risk on this facility. An undrawn revolving credit facility secured against the Canadian well servicing and snubbing business was extinguished during July 2022 when these Canadian businesses were sold.

### ***Seasonality***

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. Extreme cold has led to customers occasionally shutting down well servicing activities for brief periods of time approximately a week in duration. Spring break-up leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment particularly during the second quarter, which results in severe restrictions in the level of oilfield services. The duration of this period will have a direct impact on the level of the Corporation's activities. Spring break-up occurs earlier in the year in south-eastern Alberta than it does in northern Alberta and British Columbia. The timing and duration of spring break-up is dependent on weather patterns, but it generally occurs in April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The demand for oilfield services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

### ***Foreign Exchange Rate Risk***

Foreign currency risk is the risk that a variation in the exchange rate between Canadian and foreign currencies will affect the Corporation's results. Following the Arrangement the Corporation will have no direct revenue sources outside Canada. The majority of the Corporation's exposure to foreign exchange is indirectly through its investment in Team Snubbing Services Inc. which has exposure in turn through its investment in the Team Snubbing International Inc. whose revenue and expenses are transacted in USD, and the Corporation as well as Team Snubbing do not currently actively engage in foreign currency hedging.

### ***Failure to Realize Anticipated Benefits of Acquisitions and Dispositions***

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation.

The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, certain assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such assets, certain identified assets of the Corporation, if disposed of, could realize less than their carrying value in the financial statements of the Corporation.

### ***Technology Risks***

The ability of the Corporation to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. No assurances can be given that competitors will not achieve technological advantages over the Corporation.

Further, we rely on information technology systems and other digital systems to operate our business. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and are increased by the growing complexity of our information technology systems. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems.

Other cyber incidents may occur as a result of natural disasters, telecommunication failure, utility outages, human error, design defects, and unexpected complications with technology upgrades. Risks associated with these attacks and other incidents include, among other things, loss of intellectual property, reputational harm, leaked information, improper use of our assets, disruption of our and our customers' business operations and safety procedures, loss or damage to our data systems, unauthorized disclosure of personal information which could result in administrative penalties and increased costs to prevent, respond to or mitigate cybersecurity events. Although we monitor our information technology systems for threats, cybersecurity attacks and other incidents are evolving and unpredictable. The occurrence of such an attack or incident could go unnoticed for a period of time. Any such attack or incident could have a material adverse effect on our business, financial condition results of operations and cash flow.

### ***Significant Shareholders***

The Corporation has one Shareholder that directly or indirectly has the ability to control the votes to approximately 44.6% of the issued and outstanding Common Shares at December 31, 2023 and, as such, may be in a position to significantly influence the outcome of actions requiring Shareholder approval.

### ***Minority Interest in Team Snubbing Services Inc.***

The Corporation is an active minority shareholder of Team Snubbing but is ultimately dependent on, and subject to, the decisions of the majority shareholders and management of Team Snubbing to an extent. The Corporation has representation on the board of directors of Team Snubbing, and the terms of the shareholders agreement governing the affairs of Team Snubbing provide that key matters relating to the conduct of Team Snubbing's business will require not less than 65% shareholder approval, giving the Corporation an effective veto over any such decisions. However, the Corporation, while an active minority shareholder, is still dependent on Team Snubbing to manage and operate its business and to do so in compliance with the shareholders agreement and applicable laws. If Team Snubbing manages its business in a manner that results in violation of the shareholders agreement or applicable laws, such violation may have an adverse impact on the Corporation.

### ***Internal Control Deficiencies***

Senior management personnel have conducted reviews and designed and developed processes to ensure that internal controls are established and adhered to. Based upon their evaluation of the internal controls, the Chief Executive Officer and Chief Financial Officer have satisfied themselves that the internal controls are effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, the Corporation's potential inability to successfully address potential material weaknesses in internal controls or other control deficiencies may affect its ability to report its financial results on a timely and accurate basis and to comply with disclosure and other requirements.

### ***Dividends***

The amount of future cash dividends paid by the Corporation will be subject to the discretion of the Board and may vary depending on a variety of factors and conditions existing from time to time, many of which will be beyond the control of the Corporation. These factors and conditions include fluctuations in capital expenditure requirements, debt service requirements, restrictions imposed on the Corporation by its lenders, operating costs, foreign exchange

rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. There can be no assurance that the Corporation will pay dividends in the future.

### ***Forward-Looking Statements and Information May Prove Inaccurate***

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking statements and information. By its nature, forward-looking statements and information involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, which could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties related to forward-looking statements and information are found under the heading "Forward-Looking Information" in this Circular.

### ***Conflicts of Interest***

Certain directors or officers of High Arctic may also, or may in the future be, directors or officers of other companies that may compete or be counterparties to agreements with High Arctic, and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with High Arctic disclose his or her interest and, in the case of directors, refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Corporate Governance Disclosure – Code of Business Ethics and Conduct*" in this Circular.

### ***Breach of Confidentiality***

While discussing potential business relationships or other transactions with third parties, High Arctic may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put High Arctic at competitive risk and may cause significant damage to its business. The harm to High Arctic's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, High Arctic will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Management of High Arctic is not aware of any existing or contemplated legal proceedings material to High Arctic, to which High Arctic is, or was a party to or to which any of its properties are, or were, subject.

There are no penalties or sanctions imposed against High Arctic by a court relating to securities legislation or by a securities regulatory authority material to High Arctic to which High Arctic is a party or of which any of its property is the subject matter, and there are no such proceedings known to High Arctic to be contemplated.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as described elsewhere herein, High Arctic is not aware of any material interest, direct or indirect, of any directors or executive officers of High Arctic, any person or company which beneficially owns or controls or directs, directly or indirectly, more than 10% of any class or series of High Arctic's outstanding voting securities, or any known associate or affiliate of such persons, in any transaction within the three years before the date of this Appendix (other than through their interests as securityholders of High Arctic) that has materially affected or is reasonably expected to materially affect High Arctic.

### **AUDITORS, REGISTRAR AND TRANSFER AGENT**

The auditors of the Corporation are KPMG LLP, Chartered Professional Accountants, Suite 3100, 205 5 Avenue SW, Calgary, AB T2P 4B9.

Odyssey Trust Company, at its principal offices in Calgary, Alberta, Vancouver, British Columbia and Toronto, Ontario, is expected to be the transfer agent and registrar of the New High Arctic Common Shares.

### **MATERIAL CONTRACTS**

Except for contracts entered into by High Arctic in the ordinary course of business, the only material contract entered into by High Arctic since the beginning of the most recently completed financial year or that are still in effect, is the Arrangement Agreement, a copy of which is available on SEDAR+ under High Arctic's profile. Both the Arrangement Agreement and other agreements contain obligations of High Arctic that will survive the Arrangement.

## APPENDIX “E”

### INFORMATION CONCERNING SPINCO POST-ARRANGEMENT

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Schedule "A" - Audit Committee Charter

Schedule "B" - Board of Directors Mandate

Schedule "C" - Summary of SpinCo Equity Incentive Plan

## NOTICE TO THE READER

Unless the context indicates otherwise, capitalized terms which are used in this Appendix “E” and not otherwise defined in this Appendix “E” have the meanings given to such terms under “Glossary of Terms” in the main body of the Circular.

As at the date hereof, SpinCo has not carried on any active business. Pursuant to the Arrangement, SpinCo will become an independent, public corporation. Unless otherwise indicated, the disclosure in this Appendix “E” has been prepared assuming that the Arrangement has become effective and that SpinCo has become an independent, public corporation. In particular, the disclosure in respect of the business and assets of SpinCo and the PNG Business contained in this Appendix “E” is presented on the assumption that the Arrangement has become effective and the PNG Business been transferred to SpinCo prior to the date in respect of which such disclosure relates. References to the “PNG Business” in this Appendix “E” are to such assets as held by High Arctic prior to the Arrangement and to be held by SpinCo upon the Arrangement becoming effective. Financial information included in this Appendix “E” has, unless otherwise indicated, been derived from the historical financial statements and accounting records of High Arctic Cyprus for each of the relevant periods and is presented in this Appendix “E” from such historical financial statements and accounting records of High Arctic Cyprus for the relevant period.

Unless otherwise indicated, references herein to the programs, policies, procedures, practices, guidelines, mandates and plans (collectively, the “**Programs and Policies**”) of SpinCo refer, in each case, to the Programs and Policies of SpinCo which are expected to be formally ratified and adopted by the SpinCo Board subsequent to the Arrangement. Each of the Programs and Policies are expected to be in substantially the same form as those presently in place at High Arctic and, unless otherwise indicated, the disclosure in respect thereof contained in this Appendix “E” is presented on the assumption that the Programs and Policies have been formally ratified by the SpinCo Board in such form and have been instituted at SpinCo. Notwithstanding the foregoing, prior to the formal ratification and adoption of each of the Programs and Policies, it is expected that the SpinCo Board will review and adjust such Programs and Policies to the extent necessary to ensure that the specific requirements of SpinCo and its operations are met. Accordingly, the disclosure contained in this Appendix “E” in respect of such Programs and Policies remains subject to revision prior or subsequent to the Effective Date.

## CORPORATE STRUCTURE

### General

SpinCo was incorporated under the ABCA on April 1, 2024 and has not carried on any active business. SpinCo has been created to acquire and hold all of the capital stock of High Arctic Energy Services Cyprus Limited (“**HAES Cyprus**”) which owns, through subsidiaries, 100% of the PNG Business. SpinCo’s registered address is 1000, 250 2<sup>nd</sup> Street SW., Calgary, Alberta. SpinCo’s head office will be located at 2350, 330 – 5th Avenue SW, Calgary, Alberta, Canada, T2P 0L4.

HAES Cyprus is a limited liability company organized under The Companies Law (Cyprus). Originally incorporated in November 2006 as Dunaji Holdings Limited, the name was changed in December 2006 to High Arctic Energy Services Cyprus Limited. Established as an investment company, HAES Cyprus has held the shares of High Arctic’s fully owned international subsidiaries incorporated in countries outside North America.

### Inter-corporate Relationships

After giving effect to the Arrangement, the subsidiaries of SpinCo actively carrying out business activities are expected to be as set forth below. HAES Cyprus has four wholly-owned subsidiaries as follows:

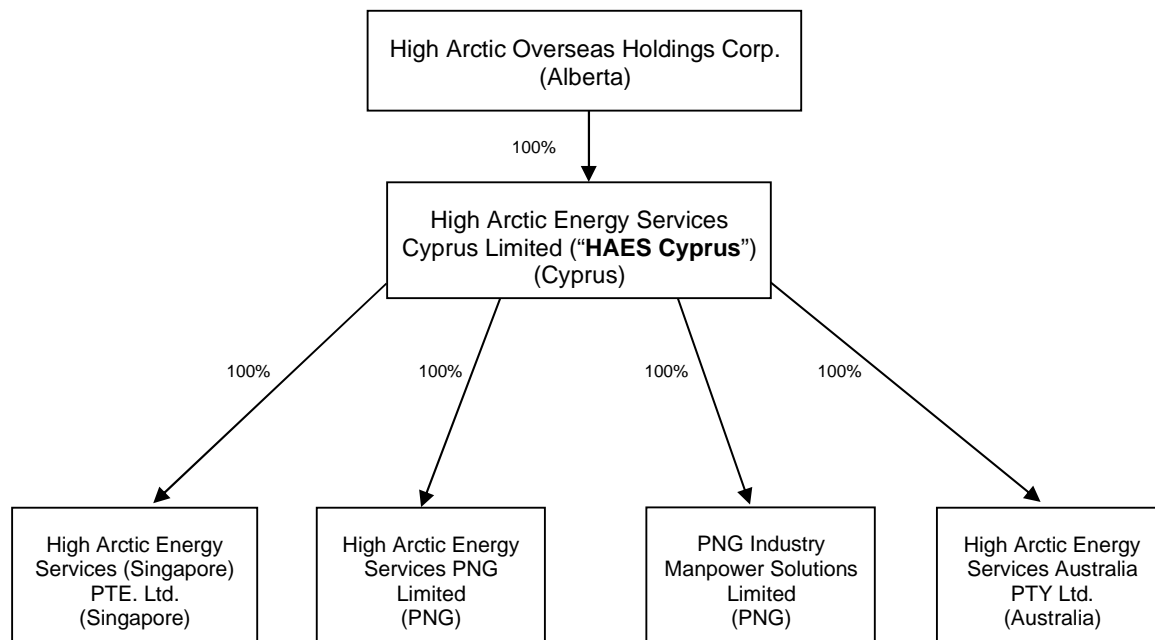
- High Arctic Energy Services (Singapore) PTE. Ltd. is a private limited company organized under the laws of Singapore. Its primary business is conducted in Papua New Guinea as a branch of a foreign company. The nature of its business is in the ownership and lease out of plant and equipment, predominantly to exploration and production companies in the extractive industries and particularly natural gas extraction.
- High Arctic Energy Services PNG Limited is a limited company organized under the laws of Papua New Guinea. Its primary business is the provision of drilling services to exploration and production companies in the PNG energy sector and particularly for natural gas exploration and appraisal.

- PNG Industry Manpower Solutions Limited is a limited company organized under the laws of Papua New Guinea. Its primary business is the provision of unskilled, skilled, qualified and professional manpower to exploration and production companies in the extractive industries and particularly natural gas extraction companies. It also carries certain licenses for the provision of recognized training to its own and customers personnel on a fee for service basis.
- High Arctic Energy Services Australia PTY Ltd. is a proprietary limited company organized under the laws of Australia. Its primary business is the provision of management services to High Arctic and its subsidiaries. It was established for the recruitment and employment of personnel to conduct roles managing or supporting the PNG Business, and this remains its primary source of income.

Entity	Percentage of Voting Securities controlled (directly or indirectly) by SpinCo	Physical Location	Jurisdiction of Incorporation or Formation
High Arctic Energy Services Cyprus Limited	100%	Nicosia, Cyprus	Cyprus
High Arctic Energy Services PNG Limited	100%	Port Moresby, Papua New Guinea	Papua New Guinea
PNG Industry Manpower Solutions Limited	100%	Port Moresby, Papua New Guinea	Papua New Guinea
High Arctic Energy Services (Singapore) PTE. Ltd.	100%	Singapore	Singapore
High Arctic Energy Services Australia PTY Ltd.	100%	Brisbane, Australia	Australia

### Organization Structure of SpinCo

After giving effect to the Arrangement, the following diagram sets out the relationship among SpinCo and its active subsidiaries:



## DESCRIPTION OF THE BUSINESS

### Incorporation and History

As described in further detail in this Circular, the proposed Arrangement is expected to create SpinCo, a new publicly traded oilfield services company called High Arctic Overseas Holdings Corp. owning High Arctic's existing Papua New Guinea focused oil and gas services business. SpinCo will acquire the PNG Business from High Arctic. SpinCo has not carried on any active business since incorporation other than the entering into of the Arrangement Agreement. SpinCo is currently not a reporting issuer (or the equivalent) in any jurisdiction and is not listed on any stock exchange. See "*Market for Securities*" in this Appendix.

If the proposed Arrangement is approved by the Shareholders and the Court and the other conditions precedent to the completion of the Arrangement are satisfied or waived, High Arctic will be divided into two separate publicly traded companies and each Shareholder (other than a Dissenting Shareholder) will receive one (1) New High Arctic Common Share and one (1) SpinCo Common Share in exchange for each four (4) High Arctic Common Shares held. See "*The Arrangement - Effect of the Arrangement*" and "*The Arrangement - Arrangement Mechanics*" sections in this Circular. It is expected that the Arrangement will occur on a tax-deferred basis for High Arctic and SpinCo. Canadian tax counsel to High Arctic and SpinCo has opined that the Arrangement generally will occur on a tax-deferred basis for Shareholders resident in Canada who hold their High Arctic Common Shares as capital property and who do not choose to recognize a capital gain or a capital loss.

There is currently no market for the SpinCo Common Shares. SpinCo has applied to list the SpinCo Common Shares on the TSXV. Listing of the SpinCo Common Shares on the TSXV will be subject to SpinCo meeting the original listing requirements of the TSXV. See "*Market for Securities*" section of this Appendix.

### The PNG Business

As stated above, SpinCo was created to acquire and hold all of the capital stock of HAES Cyprus and therefore, the PNG Business. The PNG Business provides services to exploration and production companies operating in PNG, in two operating segments: Drilling Services and Ancillary Services.

#### Drilling Services

The Drilling Services segment consists of drilling services in PNG where HAES Cyprus has operated since 2007. HAES Cyprus possesses a pair of drilling rigs (Rigs 115 and 116) that are portable by helicopter and have been maintained and preserved for use. High Arctic declared on August 1, 2022 that HAES Cyprus had agreed to a three-year contract extension to oversee the operation of Rig 103, a heli-portable drilling rig owned by a major customer involved in oil and gas exploration in PNG. Drilling activity on the final well of the Rig 103 campaign has concluded. Rig 103 and all of the associated plant and equipment is enroute to be stacked at the Customers forward base in the highlands. It is expected that operations involved in moving and preparing Rig 103 for stacked storage will be completed by the end of June 2024. The Corporation remains engaged with its principal customer on planning for 2025 drilling activity. Further, the PNG Government and Papua-LNG operator TotalEnergies released a joint statement in April advising that the final investment decision of the Papua-LNG project is now expected in 2025.

Papua New Guinea possesses substantial reserves of oil and natural gas, and has emerged as a crucial energy exporter to Asian markets, particularly for liquefied natural gas ("**LNG**"). A significant investment in the country's oil and gas industry was the successful construction of the PNG-LNG project in 2014, with the primary partners in the venture being customers of High Arctic. The facility consists of liquefaction and storage capabilities, boasting a nameplate capacity of 6.9 million tonnes per annum, and has long-term agreements to supply Asian LNG consumers. Moreover, the project has maintained a consistent production level well above its nameplate capacity since its inception. This venture announced in 2022 the signing of a gas agreement with the state of Papua New Guinea for the development of the P'nyang gas field in the Western Province of PNG, which is anticipated to result in the addition of another train to the world class PNG-LNG export facility.

The next major project anticipated to commit to substantive investment is the Papua-LNG project joint venture, spearheaded by the supermajor energy company TotalEnergies. This joint venture is focused on the development of the Elk-Antelope gas field, a gas production facility, and the construction of pipelines and an LNG export plant to facilitate the transportation of resources from new drilling sites in the region.

HAES Cyprus is strategically positioned to support these developments, given its dominant position in PNG, existing work relationships with the operating companies, and proximity to the proposed sites of operation. HAES Cyprus has made a concerted effort to establish open communication channels with all active energy companies in PNG to ensure that its personnel, equipment and expertise are utilized optimally to advance the region's energy sector. Through such collaborations, HAES Cyprus hopes to contribute to the continued growth and prosperity of Papua New Guinea and its people. These recent developments in the energy sector hold immense promise for the region's continued development and growth. With a commitment to open communication, innovation, and strategic partnerships, HAES Cyprus is poised to play a crucial role in the future of the PNG energy sector.

### ***Drilling Rig Fleet***

The two owned heli-portable rigs, 115 and 116, were acquired in 2014 and became available for use in 2015 upon the completion of certain customer requested upgrades necessary to meet PNG's high international drilling standards. Each rig is a 1500 horsepower, AC electric, self-erecting rig that is designed to be broken down into 4500kg loads to allow for flexible helicopter, barge and land transport to areas with remote or limited access.

Rigs 103 and 104 are owned by one of HAES Cyprus' key customers. These rigs have been operated and managed by HAES Cyprus on behalf of its customer since 2007. Although the contract for Rig 104 was not renewed in August 2022, the rig has been preserved and remains in operational condition. HAES Cyprus is optimistic for future contracts with third-party customers in the coming activity cycle. Rigs 103 and 104 are also heli-portable 1500 horsepower, AC electric rigs.

Supporting Rigs 103 and 104 are two partial rig packages which are referred to as "Leapfrog" Rigs. These Leapfrog Rigs consist of a center rig section which is identical to the center rig section utilized in the complete Rig 103 and 104 rig packages. Where appropriate, these Leapfrog Rigs are utilized to advance the setup time at the next drilling location while drilling is completed by the main Rig 103 or 104 at its existing location. While drilling operations are ongoing at the existing location, the Leapfrog Rig is setup at the new location. Upon completion of drilling at the original location, the remaining drilling rig components are moved to the new location which already has the center section of the Leapfrog Rig setup. The leapfrog has now become the main operating rig, and the remaining rig package on the original site becomes the leapfrog rig, which can be disassembled and moved to the next well while drilling is continuing.

Rig camps are also provided as part of the rig packages for the rigs.

### ***Hydraulic Workover Rig***

Hydraulic Workover Rigs ("HWRs") are capable of the majority of workovers, completions, re-entries, abandonments, and Snubbing operations that are otherwise conducted with conventional draw work type service rigs. The HWRs moves the tubular components in and out of the wellbore using hydraulic rams and slip assemblies. The Corporation owns one Heli-Portable Hydraulic Workover unit, Rig 102 in PNG.

### ***Contract for Services***

Drilling services are generally conducted under a daily rate contract where HAES Cyprus charges a fixed rate per day depending on the activity being conducted. Such contracts generally have an operating rate while the equipment is operating and a reduced rate for other periods such as when the equipment is on standby waiting for orders or is moving between well locations but may include fixed fee or time-based compensation for the initial location of the drilling rig on the well site and its removal after release.

HAES Cyprus provides drilling services for Rig 103 under its operations and management contracts, serving both the primary customer and other customers operating in Papua New Guinea. In return for utilizing the rig, HAES Cyprus pays the customer a daily rig lease rate, and generates revenue based on the level of activity and services provided. The contract for Rig 103 was extended in 2022 to August 2025 with two 1-year options for the customer to extend the term.

Each contract is negotiated between the parties, but standardized terms and conditions have been developed with our key customer over time. The main terms and conditions of each drilling contract are generally in line with the model IADC contract as modified to reflect the conditions in PNG and include considerable detail related to the

equipment and services provided by each party, standards of performance, indemnities for loss and risks and the applicable day rates, as well as containing standard terms and conditions commonly found in international oilfield services contracts.

A significant factor in determining the financial performance resulting under each contract is the level of activity at full operating rate as compared to lower rates that apply while moving, waiting on orders or while services are suspended with or without crews. The drilling program details such as the number, type and location of wells is not specified under the contract as the customer retains control and discretion over the activity. HAES Cyprus is at risk for mechanical or other breakdown of the drilling rig or other equipment and compensation becomes “zero rate” after a short grace period. The remote location of the operations can have a significant impact on the time required to complete a repair. HAES Cyprus manages the risk by maintaining an extensive inventory of spare parts and by having experienced technical personnel on site and in its field support bases.

Each contract has certain termination rights that can be invoked for failure to perform in accordance with the contract.

HAES Cyprus is striving to minimize the probability of losing contracts by leveraging its operational expertise and experience in navigating the demanding operational environment of Papua New Guinea. Additionally, HAES Cyprus has established a strong level of operational coordination with its primary customer concerning drilling operations.

Given the nature of the contract for service model herein described for the Drilling Services business, revenue generated from these contracts is intermittent in nature and will fluctuate considerably depending on the number of drilling rigs operating under contract.

### **Competition**

Most wells drilled in PNG are completed with the use of a heli-portable drilling rig. This is due to the remote nature of drilling activities in PNG and the lack of suitable road infrastructure required to move traditional land-based drilling rigs. Due to HAES Cyprus’ long-term experience and exceptional operational performance in PNG, it is currently the only active operator of heli-portable drilling rigs in PNG. Wells in PNG are expensive to drill by world standards which can limit the amount of drilling activity. As a result, there are relatively few active operators drilling wells at any time. To HAES Cyprus’ knowledge, there are two smaller older rigs in PNG, but they are not suitable for drilling operations similar to those completed by HAES Cyprus. To HAES Cyprus’ knowledge, none of these competitor drilling rigs have operated since 2015.

In addition to local competitors in PNG, HAES Cyprus may also compete with other drilling contractors that operate heli-portable drilling rigs in the global oilfield services market. Due to the specialized nature of heli-portable drilling rigs, the size of the global heli-portable drilling rig fleet capable of drilling for oil and gas in PNG is limited. These rigs are generally operated by large multinational oilfield service companies who may have greater financial resources and operating assets than HAES Cyprus. Most of these rigs are located and operated in South America and would require significant investment to relocate to PNG.

Certain areas with sufficient road infrastructure may be developed to support traditional land-based rigs. To HAES Cyprus’ knowledge, there are currently two land-based rigs located in PNG capable of drilling wells typically completed in PNG. Due to higher mobilization costs associated with heli-portable drilling operations, HAES Cyprus’ heli-portable rigs are typically utilized for remote access operations and as such do not compete in areas where traditional land-based rigs are more cost effective to utilize. To HAES Cyprus’ knowledge, during late 2022 one large land-based drilling rig commenced preparation for work in the primary PNG-LNG production field and is currently drilling. This is the first time land-based rigs other than heli-portable rigs have operated in PNG since 2015.

HAES Cyprus has established a position as a leading drilling contractor operating at high international standards in PNG. HAES Cyprus has had a long-term relationship with one of the country’s most active operators and has also performed services for and established good relationships with the country’s other main exploration and production companies.

The success and activity of HAES Cyprus in PNG is dependent on its continued operational performance as well as the continued exploration and development plans of its customers. HAES Cyprus’ primary customers in PNG are the most active operators in PNG, and PNG is a core part of their business activities.

### ***Economic Dependence***

In 2023 and 2022, High Arctic experienced a significant boost in revenue from its operations in Papua New Guinea compared to 2021 and 2020. This was largely due to HAES Cyprus providing services to two key multinational customers operating in PNG, whose revenues each accounted for more than 10 percent of HAES Cyprus' total revenues.

High Arctic expects the PNG region to be the primary driver of its revenue growth for HAES Cyprus in the near future. In line with this expectation, HAES Cyprus' management have devised a strategic plan to deploy its assets more effectively in the region. This plan includes a focus on developing partnerships and collaborations with local businesses, as well as leveraging HAES Cyprus' unique position and extensive experience and knowledge of PNG to minimize risks and maximize profitability.

HAES Cyprus is confident that the PNG region is poised for a significant upcycle over the coming years and is committed to capitalizing on this opportunity. By taking a proactive approach and investing in the region's growth, HAES Cyprus is well-positioned to establish a strong foothold in the market and generate sustainable long-term returns for its stakeholders.

### **Ancillary Services**

The Ancillary Services segment consists of HAES Cyprus' oilfield rental equipment in PNG.

#### ***Equipment Rental Services***

HAES Cyprus has an extensive fleet of rental equipment in PNG. Its PNG rental fleet includes matting, cranes, forklifts, trucks, camps, pumps, generators, tanks, vehicles, and lighting towers. Rental of the equipment is typically charged on a day rate basis.

#### ***Work Site Mats***

HAES Cyprus' work site mats are an environmentally friendly mat made of a high-density polyethylene composite suitable for a wide range of applications where a solid base and / or ground protection is required for heavy equipment access. They are well suited for the difficult terrain in PNG where the conditions are often wet, boggy, and uneven. These mats are suitable for drilling, mining and civil activities including pipeline construction, plant construction and as a base for camp facilities. At December 31, 2023, HAES Cyprus had 491 work site mats under contract in PNG and an additional 3,599 on hand. HAES Cyprus has been actively pursuing opportunities to diversify our customer base in PNG and international markets for any uncontracted mats.

### **Proposed Business Strategy for the PNG Business**

Entrenching and protecting HAES Cyprus' position in PNG is important to securing HAES Cyprus' long-term ambition of being the pre-eminent provider of services in the natural resources sector there. This will require actions that include the ongoing development and expansion of local indigenous workforces, the inclusion of local landowner and other PNG companies in HAES Cyprus' business activities, and working constructively with PNG regulators and the national energy company.

HAES Cyprus has invested in a pair of high-tech AC-electric computer controlled 1500 horse power drilling rigs (Rigs 115 and 116) that are portable by helicopter and have been maintained and preserved for use. In recent years, these rigs and Rigs 103 and 104 that HAES Cyprus has operated and managed for its customer, have been under-utilized. Management had expected that following the COVID-19 pandemic a return to drilling activity would be faster than has been realized. This has seen the drilling rigs and other rental plant and equipment including camps and worksite matting remain under-utilized. HAES Cyprus believes that these drilling rigs are ideally designed for PNG.

Papua New Guinea is on the precipice of a new round of large-scale projects in the natural resources sector. The New-Porgera gold mine has recently commenced mining activity, representing the first of the '4P's and 2W's' being promoted by the PNG Government as key international investment projects. The others include the Papua LNG project headed up by French super-major Totalenergies, the Pasca offshore discovery in the gulf of PNG, the

P'nyang gas field development touted as the next stage for the existing PNG-LNG joint venture headed up by ExxonMobil, the Wafi-Golpu advanced exploration gold & copper project located in the Morobe Province and the Wildebeest gas exploration prospect onshore in Gulf Province.

The Papua-LNG project is anticipated to be the next major project. It is progressing towards a final investment decision in 2025 and there is expectation for increased drilling activity through the latter half of this decade, not only to develop wells for the supply of gas to the Papua-LNG export facility, but also to explore for and appraise other discoveries.

There are a number of other substantive nation-building projects in the pipeline including infrastructure, electrification, telecommunications and defense projects planned for the development of Papua New Guinea. They collectively represent a period of nation building expected to extend well into the coming decades. These projects will require access to transport and material handling machinery, quality worksite mats and temporary road mats and a substantive amount of labor, skilled equipment operators, qualified tradespeople and engineers, geoscientists and other professionals.

The cornerstones for the post-reorganization business strategy for the PNG Business include:

1. Leveraging the core PNG planning and logistics capability behind our success in PNG to diversify our service offerings there,
2. Deploying idle assets to profitable operations in the advancement of prominent natural resources and infrastructure projects,
3. Strengthening local content in the supply chain, in our service delivery, and in the value derived from our services,
4. Establishing an efficient corporate structure, that provides the opportunity to consider transactions which would create value for SpinCo's shareholders,
5. Increasing participation in the local and regional business, finance and investment communities, and
6. Seeking out opportunities to expand and root the business in the Australasian region.

### **Risks to the Business Strategy for the PNG Business**

In addition to the Risks presented in the section entitled "Risk Factors" in this Appendix "E", there are certain specific risks to Spinco being able to execute the PNG business strategy. These risks include:

- adequate access to sources of capital to pursue growth;
- the Bank of Papua New Guinea's policies and regulations surrounding the local market currency, the Kina or PGK, its valuation control and enforcement of its use, as well as the availability of foreign currencies in PNG and HAES Cyprus's approval to maintain a US dollar bank account and transact in US dollars;
- competition from emerging local businesses, and movements to increase local participation in the PNG business community and in the nation building projects;
- market moves to incentivize the entry of other foreign contractors and create market competition for onshore drilling services;
- emergence of technologies that reduce HAES Cyprus' market for drilling services and rental equipment;
- security and political stability in a developing country with a rapidly growing population;
- ability to attract personnel of suitable qualifications, skill and experience, to work in remote PNG locations;



- ability to expand our training and development capability and obtain and retain necessary licenses to deliver accredited training that is relevant to, and desired by the PNG market; and
- the availability of regional expansion opportunities and the ability of the PNG Business to exploit them, including financial resources, foreign investment rules, local content and other regulatory requirements.

## **Employees**

As at the date of this Circular, SpinCo has no employees and HAES Cyprus has 181 employees. After giving effect to the Arrangement, it is expected that SpinCo will have 1 part time employee (including officers) and HAES Cyprus (including its subsidiaries) will have 181 full time employees (including officers).

## **Competitive Conditions**

In addition to the competitive environment previously outlined for Drilling Services, due to the size of the market and remote operations, HAES Cyprus faces relatively low competition for its rental equipment in PNG. The factors that will allow HAES Cyprus to remain competitive in the markets for its Ancillary Services are its ability to supply the necessary equipment and services in remote locations and when required at competitive prices. See *“Risk Factors - Competition”* in this Appendix.

## **DESCRIPTION OF SHARE CAPITAL**

The following is a summary of the rights, privileges, restrictions and conditions which will be attached to the SpinCo Common Shares on the Effective Date after giving effect to the Arrangement. At that time, SpinCo will be authorized to issue an unlimited number of SpinCo Common Shares. As of the date hereof, one (1) SpinCo Common Share has been issued. The one (1) SpinCo Common Share will be redeemed for cancellation as a step in the Arrangement. Upon completion of the Arrangement, based on 49,122,302 High Arctic Common Shares outstanding as of the date hereof, approximately 12,280,575 SpinCo Common Shares will be issued and outstanding. On a fully diluted basis, assuming the redemption of all High Arctic PSUs, High Arctic RSUs and High Arctic DSUs in exchange for High Arctic Common Shares prior to the Effective Date, approximately 12,603,228 SpinCo Common Shares will be issued and outstanding upon completion of the Arrangement.

### **SpinCo Common Shares**

The holders of SpinCo Common Shares will be entitled to receive dividends if, as and when declared by the SpinCo Board. The holders of SpinCo Common Shares are entitled to receive notice of and to attend all meetings of shareholders and are entitled to one vote per SpinCo Common Share held at all such meetings. Pursuant to the ABCA, the first annual general meeting of shareholders of SpinCo must be held not later than 18 months following the Effective Date. In the event of the liquidation, dissolution or winding up of SpinCo or other distribution of assets of SpinCo among its shareholders for the purpose of winding up its affairs, the holders of SpinCo Common Shares will be entitled to participate rateably in any distribution of the assets of SpinCo.

The SpinCo Board has approved for adoption the SpinCo Equity Incentive Plan. If ratified and adopted at the Meeting, the SpinCo Equity Incentive Plan will come into force and effect pursuant to Section 3.1(1)(f) of the Plan of Arrangement. A summary of the SpinCo Equity Incentive Plan is provided in Schedule "C" to this Appendix "E", and a copy of the SpinCo Equity Incentive Plan is attached as Appendix "A" to the Plan of Arrangement.

See *“Particulars of the Matters to be Acted Upon - Approval of SpinCo Equity Incentive Plan”* section of the Circular.

It is expected that SpinCo Common Shares will begin trading on the TSX or the TSXV for regular settlement at the opening of trading within four Business Days after the Effective Date. See *“Certain Legal and Regulatory Matters - Stock Exchange Listings”* in this Circular.

## **DIVIDENDS**

SpinCo has not declared or paid any dividends since incorporation. Any decision to pay dividends on the SpinCo Common Shares will be made by the SpinCo Board on the basis of SpinCo's earnings, financial requirements and other conditions existing at the relevant time.

## SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Statements

Included as Appendix "F" to this Circular is the audited balance sheet of SpinCo as at the date of incorporation on April 1, 2024.

Included as Appendix "G" to this Circular are the audited financial statements of HAES Cyprus for the financial years ended December 31, 2023, December 31, 2022, and December 31, 2021.

Included as Appendix "H" to this Circular are the following pro forma financial statements in respect of SpinCo after giving effect to the Arrangement:

1. the unaudited pro-forma statement of financial position as at December 31, 2023; and
2. the unaudited pro-forma statement of income and comprehensive income for the year ended December 31, 2023.

### Management's Discussion and Analysis

Included in Appendix "G" is the management's discussion and analysis in respect of the financial condition and results of operations of HAES Cyprus as at and for the financial year ended December 31, 2023.

### Selected Pro Forma Financial Information of SpinCo

Certain selected unaudited pro forma financial information of SpinCo as at December 31, 2023, assuming completion of the Arrangement, is set forth in the following table. Such information should be read in conjunction with the audited financial statements of HAES Cyprus and the related Management's Discussion and Analysis included as Appendix "G" and the unaudited pro forma financial statements as at December 31, 2023, included as Appendix "H" to this Circular.

<b>Pro Forma Statements of Operations and Comprehensive Loss</b>	
Revenue	US\$43,391,000
Expenses	US\$52,218,000
Net (Loss)	US\$(8,827,000)
Loss per Share - basic	\$(0.17)
<b>Pro Forma Statement of Financial Position</b>	
Assets	US\$38,417,000
Liabilities	US\$10,016,000
Shareholder's Equity	US\$28,401,000

The pro forma adjustments are based upon the assumptions described in the notes to the unaudited pro forma financial statements. The unaudited pro forma financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating or financial results that would have occurred had the Arrangement actually occurred at the times contemplated by the notes to the unaudited pro forma financial statements or of the results expected in future periods. Please refer to the notes to the unaudited pro forma financial statements which disclose the pro forma assumptions and adjustments.

### CONSOLIDATED CAPITALIZATION OF SPINCO

The following table sets out the capitalization of SpinCo as at April 1, 2024 prior to giving effect to the Arrangement and the pro forma capitalization of SpinCo as at December 31, 2023 after giving effect to the Arrangement. Other than as described below, there has not been any material change in the share and loan capital of SpinCo, on a consolidated basis, since incorporation. This table should be read in conjunction with SpinCo's audited balance sheet included as Appendix "F", HAES Cyprus' audited financial statements and the Management's Discussion and Analysis included as Appendix "G", the unaudited pro forma financial statements of HAES Cyprus included as Appendix "H", and other supplemental financial information contained elsewhere in this Circular.

Designation	As at April 1, 2024 <sup>(1)</sup>	As at December 31, 2023 after giving effect to the Arrangement <sup>(2)</sup>
Shareholder Capital	\$1 (1 SpinCo Common Share)	US\$33,112,001 (12,280,575 SpinCo Common Shares)

## Notes:

- (1) SpinCo was incorporated under the ABCA on April 1, 2024. SpinCo will have no operating history until after completion of the Arrangement.
- (2) On a non-diluted basis.

## OPTIONS TO PURCHASE SECURITIES

At the Meeting, provided that the Arrangement Resolution is approved, Shareholders will be asked to consider and, if deemed advisable, approve, with or without variation, the ordinary resolution approving the adoption by SpinCo of the SpinCo Equity Incentive Plan. A copy of the SpinCo Equity Incentive Plan as Appendix "A" to the Plan of Arrangement, which is attached as Schedule "A" to the Arrangement Agreement, attached as Appendix "B" to this Circular. For a summary of the SpinCo equity Incentive Plan, please refer to Schedule "C" of this Appendix "E". See "*The Arrangement - High Arctic Options*" in the body of the Circular. See also "*Consolidated Capitalization*" above.

## PRIOR SALES

One (1) SpinCo Common Share has been issued prior to the date hereof with such share expected to be redeemed for cancellation immediately prior to the Effective Time. In connection with the Arrangement and based on the number of issued and outstanding High Arctic Common Shares as of the date hereof, it is expected that 12,280,575 SpinCo Common Shares will be issued to High Arctic Shareholders on the Effective Date of the Arrangement. In addition, if all High Arctic PSUs, High Arctic RSUs and High Arctic DSUs are redeemed prior to the Effective Date of the Arrangement for High Arctic Common Shares as of the date hereof, an additional 322,653 SpinCo Common Shares will be issued on the Effective Date.

## ESCROWED SECURITIES

To the knowledge of SpinCo, as of the date of this Circular, no securities of any class of securities of SpinCo are held in escrow or are anticipated to be held in escrow following the completion of the Arrangement.

## PRINCIPAL SHAREHOLDERS

To the knowledge of SpinCo as of the date of this Circular, there are no persons who will, immediately following the Arrangement becoming effective, beneficially own, or control or direct, directly or indirectly, voting securities of SpinCo carrying 10 percent or more of the voting rights attached to any class of voting securities of SpinCo other than FBC Holdings Sàrl, which will own approximately 5,479,158 SpinCo Common Shares representing 44.6% of the outstanding SpinCo Common Shares immediately following the Arrangement, based upon the number of High Arctic Common Shares so owned as of the effective date hereof.

## DIRECTORS AND SENIOR OFFICERS OF SPINCO

### Board of Directors

It is proposed that the SpinCo Board consist of the directors named below. The following table sets out the names and municipalities of residence of each director of SpinCo and their principal occupation over the last five years. Each of the directors of SpinCo shall serve as a director for a term, if any, as may be specified in the resolution appointing such director or until his/her earlier death, resignation or removal.

Name, Municipality of Residence, Office	Present Occupation and Position Held During the Last Five Years	Number and Percentage of SpinCo Common Shares Beneficially Owned, Directly or Indirectly, or Over which Control or Direction is Exercised After the Arrangement <sup>(3)(4)(5)</sup>
<b>Michael R. Binnion</b> <sup>1,2</sup> Calgary, Alberta	Mr. Binnion is the Chairman of High Arctic Energy Services Inc. He is also President and Chief Executive Officer of Questerre Energy Corporation, a position held since November 2000.	621,840 4.9%
<b>Michael J. Maguire</b> Brisbane, Australia	Mr. Maguire has been Chief Executive Officer of High Arctic Energy Services Inc since 2020. Prior to that Mr. Maguire was President of the High Arctic's PNG business. He has been a director of, and held senior management roles with other Australian drilling contractors over a 30 year career.	198,729 1.6%
<b>Bruce Apana</b> <sup>1,2</sup> Port Moresby, Papua New Guinea	Mr. Apana is a PNG citizen. He is a lawyer by profession, obtaining his degree and admission in the Australian Capital Territory and has practiced in Australia and Papua New Guinea, both in private and corporate practice. Mr. Apana is the Chief Operating Officer at MRL Capital Limited, the trustee of the Lihir Island landowner equity trust. Mr. Apana has served in executive, general counsel and advisory roles for various multinational energy companies in PNG. Mr. Apana has served as director and company secretary for High Arctic's PNG incorporated subsidiaries since High Arctic's initial establishment there in 2007.	Nil 0%

## Notes:

- (1) Proposed member of SpinCo Audit Committee. Each member of the Audit Committee is considered independent and financially literate.
- (2) Proposed member of SpinCo Governance, Nominating and Remuneration Committee.
- (3) The information as to SpinCo Common Shares beneficially owned, not being within the knowledge of SpinCo, has been furnished by the respective directors and assumes completion of the Arrangement.
- (4) Based on 12,603,228 SpinCo Common Shares issued and outstanding after the Arrangement, which assumes the redemption of all outstanding High Arctic PSUs, High Arctic RSUs, and High Arctic DSUs in exchange for High Arctic Common Shares, which will be exchanged for SpinCo Common Shares and New High Arctic Common Shares.
- (5) Assumes redemption of all High Arctic PSUs, High Arctic RSUs and High Arctic DSUs by Directors in exchange for High Arctic Common Shares.

By approving the Arrangement Resolution, Shareholders will be deemed to have approved the proposed directors and auditors of SpinCo, which are formally appointed pursuant to the Arrangement. Each of the proposed directors of SpinCo will hold office until the first annual meeting of the holders of SpinCo Common Shares or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. Additional directors may be appointed by the SpinCo Board after completion of the Arrangement and prior or subsequent to the first annual meeting of holders of SpinCo Common Shares in accordance with the articles of SpinCo. The first annual meeting of holders of SpinCo Common Shares is expected to occur in the second quarter of 2025 and, in any event, not later than June 30, 2025, at which time holders of SpinCo Common Shares will vote on the election of the directors and appointment of auditors of SpinCo.

An audit committee of the SpinCo Board (the “**SpinCo Audit Committee**”) will be established following completion of the Arrangement. The composition of the SpinCo Audit Committee will comply with the requirements of the ABCA, applicable Canadian securities laws and the rules of the stock exchange on which the SpinCo common Shares are listed. See “*Audit Committee*” and “*Disclosure of Corporate Governance Practices*” in this Appendix “E”.

### Senior Officers

A diverse and experienced management team has been assembled to lead SpinCo and will continue to assess SpinCo’s longer-term strategy and organizational needs. All senior officers of SpinCo will meet the high standards

to be set by the proposed SpinCo Board which are expected to include, but not be limited to, strong business ethics, adherence to corporate governance and knowledge of public company compliance.

The following are brief biographies of each of the senior officers of SpinCo, including a description of their present occupations and their principal occupations during the last five years, the majority of whom are employed out of the regional headquarters in Brisbane, Australia.

*Michael J. Maguire, CEO*

Mr. Maguire has been Chief Executive Officer of High Arctic Energy Services Inc since 2020. Prior to that, Mr. Maguire was President of High Arctic's PNG business. He has been a director of, and held senior management roles with, other Australian drilling contractors over a 30 year career.

*Lonn Bate, Interim CFO – part-time, based in Calgary*

Mr. Bate has been Interim Chief Financial Officer of High Arctic Energy Services Inc since August 2023, having initially joined High Arctic in March 2023. Mr. Bate is a Chartered Professional Accountant, CA with over 25 years of broad financial leadership including substantial periods in senior executive roles of public and private junior energy and energy services companies. Mr. Bate's experience extends to international as well as the Canadian energy sector. He brings extensive knowledge in financial stewardship, strategic planning and analysis, equity and debt financing, company reorganizations, mergers and acquisitions, and consolidating global finance teams.

*Stephen Lambert, COO*

Mr. Lambert has been Chief Operating Officer of High Arctic Energy Services Inc since 2021 having joined High Arctic in July 2014, and during his employment at High Arctic has been engaged in several roles including People and Safety Manager PNG, General Manager PNG, and Director Quality and Risk. Mr Lambert has 17 years experience in the onshore energy industry, and before that spent 21 years in the Australian Army. Mr Lambert holds qualifications in Management, QHSE, Training Development and Resource Management.

*Matthew Cocks, VP - Finance,*

Mr. Cocks has been VP-Finance (PNG) of High Arctic Energy Services Inc since September 2023. Prior to that Mr. Cocks was CFO at a fast growing private Australian mining services company, where he worked for 4 years. In a 20 year career Mr. Cocks has held finance and accounting roles in professional services firms, private, public and government organisations, in roles of increasing seniority and responsibility. Mr. Cocks is a Chartered Accountant.

*Chris Fraser, VP - Strategy & Growth,*

Mr. Fraser has been VP-Strategy & Growth (PNG) of High Arctic Energy Services Inc since August 2023. Mr. Fraser has over 38 years of international oilfield experience in drilling, production, completions and well services, across a range of international and multi-national production and service companies. Prior to joining High Arctic Mr. Fraser held senior management positions for 18 years with Santos (formerly Oil Search) where he managed operations in PNG, Kurdistan & Yemen.

It is anticipated that the directors and executive officers of SpinCo, as a group, will beneficially own, directly or indirectly, or exercise control or direction over 887,291 SpinCo Common Shares or approximately 7.0% percent of the number of SpinCo Common Shares that will be outstanding immediately following completion of the Arrangement, based upon the number of High Arctic Common Shares so owned or controlled as of the date hereof, and assuming that all High Arctic PSUs, High Arctic RSUs, and High Arctic DSUs are redeemed for High Arctic Common Shares prior to the Arrangement.

### Other Reporting Issuer Experience

The following table sets out the proposed directors of SpinCo that are directors of other reporting issuers (or the equivalent) in Canada or a foreign jurisdiction:

<u>Name</u>	<u>Name of Reporting Issuer</u>
Michael R. Binnion	Questerre Energy Corporation Huntington Exploration Inc
Michael J. Maguire	N/A
Bruce Apana	N/A

### Corporate Cease Trade Order and Bankruptcies

To the knowledge of management, other than as disclosed herein, no proposed director or executive officer as at the date hereof, is or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including SpinCo), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

To the knowledge of management, other than as disclosed herein, no proposed director or executive officer of SpinCo, or a shareholder holding a sufficient number of securities of SpinCo to affect materially the control of the company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including SpinCo) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### Personal Bankruptcies

To the knowledge of management, no proposed director or executive officer of SpinCo has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such proposed director or executive officer.

### Penalties or Sanctions

To the knowledge of management, other than as disclosed herein, no director, executive officer or Shareholder holding a sufficient number of securities of SpinCo to materially affect the control of SpinCo (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of SpinCo will be subject to in connection with the operations of SpinCo. In particular, certain of the directors and officers of SpinCo are involved in managerial or director positions with other oil and natural gas companies whose operations may, from time to time, be in direct

competition with those of SpinCo or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of SpinCo.

In accordance with the applicable corporate and securities legislation, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with SpinCo are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of SpinCo. Certain of the directors and each of the executive officers of SpinCo have either other employment or other business or time restrictions placed on them and accordingly, these directors of SpinCo will only be able to devote part of their time to the affairs of SpinCo. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the applicable corporate law.

### **Insurance Coverage and Indemnification**

It is expected that SpinCo will acquire prior to the Arrangement and maintain liability insurance for its directors and officers with coverage and terms that are customary for a company of its size in the energy services industry. In addition, SpinCo will enter into indemnification agreements with its directors and officers. The indemnification agreements will generally require that SpinCo indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to SpinCo as directors and officers, so long as the indemnitees acted honestly and in good faith with a view to the best interests of SpinCo and, with respect to criminal or administrative actions or proceedings that are enforced by monetary penalty, if the indemnitee had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by SpinCo.

## **COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

To date, SpinCo has not carried on any active business. No compensation has been paid by SpinCo to its proposed executive officers or directors and none will be paid by SpinCo until after the Arrangement is completed. Following completion of the Arrangement, it is anticipated that the executive officers of SpinCo will be paid salaries at a level that is comparable to companies of similar size in the industry.

As at the date of this Circular, there are no employment contracts in place between SpinCo and any of the executive officers of SpinCo and there are no provisions with SpinCo for compensation for the executive officers of SpinCo in the event of termination of employment or change in responsibilities following a change of control of SpinCo. It is expected that SpinCo will enter into, or assume existing employment agreements with each of the executive officers of SpinCo on or before the Effective Date.

## **AUDIT COMMITTEE**

The following disclosure is based on the present expectations of SpinCo that the formal establishment of the SpinCo Audit Committee (without changes to the proposed composition) and the ratification and adoption of its mandate (without any material modifications) will occur following completion of the Arrangement. However, such disclosure remains subject to revision prior or subsequent to the Effective Date. See "*Notice to Reader*" in this Appendix "E".

### **Audit Committee Charter**

The proposed Audit Committee charter of SpinCo is attached hereto as Schedule "A" to this Appendix "E".

### **Composition of the Audit Committee**

The Audit Committee of SpinCo is anticipated to consist of Michael Binnion (Chair), Michael Maguire and Bruce Apana. The majority of the proposed members of the Audit Committee is "independent" as defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). Each proposed member is financially literate in that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by SpinCo's financial statements.

## Relevant Education and Experience

### *Michael Binnion*

Mr. Binnion is the Chair of High Arctic Energy Services Inc and is the President and Chief Executive Office of Questerre Energy Corporation. Mr. Binnion is a seasoned entrepreneur with a history of starting, financing and managing companies and not-for-profits. He has extensive experience as a board member for several high-tech companies in Canada. Additionally, he is the Executive Director of Rupert's Crossing Ltd., a private merchant banking firm. He is also Chairman of the Manning Foundation. Most recently he founded the Modern Miracle Network, an organization of Canadians wanting adult conversations about the benefits and impacts of energy use. Mr. Binnion holds Bachelor of Commerce degree in finance from the University of Alberta. He is a Fellow of the Chartered Accountants of Alberta.

### *Bruce Apana*

Mr. Apana is the Chief Operating Officer at MRL Capital Limited, the trustee of the Lihir Island landowner Equity Trust. Mr. Apana has served in Executive, General Counsel and Advisory roles for various multinational energy companies in PNG. Mr. Apana has served as Director and Company Secretary for High Arctic's PNG incorporated subsidiaries since High Arctic's initial establishment there in 2007. Mr. Apana is a member of MRL's Audit, Risk and Remuneration Committee, Investment Committee and is the Company Secretary and General Counsel of MRL Funds Management limited, that has two Capital Markets Licenses and manages the Lihir Investment Fund.

## Pre-Approval Policies and Procedures

The Audit Committee will pre-approve all non-audit services to be provided to SpinCo by the external auditors of SpinCo.

### External Auditor Service Fees (By Category)

The approximate aggregate fees paid by SpinCo to the external auditors of SpinCo since incorporation are described below:

<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
Nil	Nil	Nil	Nil

### Exemption

SpinCo is not relying on any exemptions in NI 52-110.

## DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Unless otherwise indicated, the following disclosure is based on the present expectations of SpinCo in respect of its corporate governance practices and that the formal establishment of committees of the SpinCo Board described below (without changes to the proposed composition) and the ratification and adoption of their respective mandates (without any material modifications) will occur following completion of the Arrangement. However, such disclosure remains subject to revision prior or subsequent to the Effective Date. See "Notice to Reader" in this Appendix.

SpinCo and the SpinCo Board will be committed to attaining the highest standards of corporate governance. SpinCo will maintain appropriate governance practices as fundamental to generating long-term shareholder value. SpinCo will continually assess and update its practices and believes it will employ a leading system of corporate governance to ensure the interests of its shareholders are well protected.

In Canada, the Canadian securities regulatory authorities in all of the provinces and territories of Canada (collectively, the "CSA") adopted National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices ("NI 58-101"). Disclosure of governance practices is required in accordance with NI 58-101.



The following statement of SpinCo's corporate governance practices is made in accordance with Form 58-101F1 of NI 58-101.

### **Board of Directors**

All proposed directors of SpinCo, other than Michael Maguire, who will act as Chief Executive Officer of SpinCo, will be independent directors of SpinCo. SpinCo will have a majority of independent directors.

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

<u><b>Name</b></u>	<u><b>Name of Reporting Issuer</b></u>
Michael R. Binnion	Questerre Energy Corporation Huntington Exploration Inc.
Michael J. Maguire	None
Bruce Apana	None

It is anticipated that the independent directors will hold regularly scheduled quarterly and additional meetings as determined necessary or desirable by the SpinCo Board. It is expected that the SpinCo Board will adopt the practice of following each meeting with an in-camera independent directors discussion.

It is anticipated that Michael R. Binnion will be the chairman of the SpinCo Board and Michael R. Binnion will be an independent director. In accordance with the mandate of the Chairman, the Chairman presides at all meetings of the SpinCo Board and, unless otherwise determined and at all meetings of shareholders. Among other things, the Chairman is to endeavour to fulfill his SpinCo Board responsibilities in a manner that will ensure that the SpinCo Board is able to function independently of management and is to consider, and allow for, when appropriate, a meeting of independent directors, so that SpinCo Board meetings can take place without management being present. The Chairman will be responsible in ensuring that reasonable procedures are in place to allow directors to engage outside advisors at the expense of SpinCo in appropriate circumstances.

### **Board Mandate and Position Descriptions**

The proposed mandate of the SpinCo Board is attached as Schedule "B" to this Appendix "E". It is expected that the SpinCo Board will develop a written position description for the Chairman.

It is currently anticipated that SpinCo will not have written description for its committee chair positions; however, it is anticipated that SpinCo will have a mandate for each committee and the roles and responsibilities of each committee chair position are referenced therein.

The SpinCo Board, with the input of the CEO of SpinCo, will develop a written position description for the CEO.

### **Orientation and Continuing Education**

While SpinCo does not currently anticipate having a formal orientation and education program for new recruits to the SpinCo Board, SpinCo expects to provide orientation and education on an informal basis. As new directors join the SpinCo Board, it is expected that management will provide these individuals with corporate policies, historical information about SpinCo, as well as information on SpinCo's performance and its strategic plan with an outline of the general duties and responsibilities entailed in carrying out their duties. The SpinCo Board believes that these procedures have proved to be a practical and effective approach in light of SpinCo's particular circumstances, including the size of SpinCo, limited turnover of the directors and the experience and expertise of the members of the SpinCo Board.

### **Ethical Business Conduct**

It is expected that SpinCo will have a Code of Business Conduct and Ethics (the "**Code**") for directors, officers and employees, which will be available under SpinCo's profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com) after completion of the Arrangement.

SpinCo's Board will be responsible for monitoring and ensuring compliance with the guidelines set out in the Code including compliance in all material respects, with all applicable financial reporting and accounting requirements applicable to SpinCo.

In accordance with the ABCA, directors who are a party to, or are a director or an officer of a person which is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction.

It is expected that the SpinCo Board will adopt a "Whistleblower Policy" wherein employees and consultants of SpinCo are provided with the mechanics by which they may raise concerns with respect to falsification of financial records, unethical conduct, harassment and theft in a confidential, anonymous process.

### **Nomination of Directors**

The proposed SpinCo Governance, Nominating, and Remuneration Committee will be tasked with identifying qualified persons to serve as directors of SpinCo should the need or a vacancy arise. The SpinCo Governance, Nominating, and Remuneration Committee may engage a candidate search firm in assisting with identifying potential nominees. In selecting a candidate for recommendation to the SpinCo Board, the SpinCo Governance, Nominating, and Remuneration Committee will consider the following attributes: high personal and professional ethics, integrity and values, commitment to representing the long-term interest of shareholders, SpinCo Board experience at the policy-making level in business, government, education, technology or public interest, and sufficient time to effectively fulfill duties as a SpinCo Board member.

The SpinCo Governance, Nominating, and Remuneration Committee will operate under a written "Governance and Nominating Committee Terms of Reference" that details its composition, its duties and its reporting responsibilities which includes:

- (a) monitoring the appropriateness of SpinCo's governance systems with regard to external governance standards, "best practices" guidelines and with an emphasis on "ongoing improvements";
- (b) oversee SpinCo's environmental, social and governance ("ESG") framework;
- (c) reviewing the makeup and needs of the SpinCo Board and developing criteria for adding new directors to the SpinCo Board; and
- (d) evaluating and assessing the effectiveness of the SpinCo Board, and its committees in meeting governance objectives and each individual's own contributions.

It is expected that SpinCo will have a SpinCo Governance, Nominating, and Remuneration comprised of Michael Binnion (Chair), Michael Maguire and Bruce Apana.

### **Compensation**

It is expected that the SpinCo Board, through assistance and recommendations from the SpinCo Governance, Nominating, and Remuneration Committee, will determine compensation for SpinCo's directors and officers based on a number of factors.

The SpinCo Governance, Nominating, and Remuneration Committee's responsibility will be to formulate and make recommendations to the SpinCo Board in respect of compensation issues relating to directors and employees of SpinCo. Without limiting the generality of the foregoing, the SpinCo Governance, Nominating, and Remuneration Committee will be charged with reviewing and making recommendations to the SpinCo Board in respect of the compensation matters relating to SpinCo's executive officers, employees, and directors to review the compensation philosophy and remuneration policy for employees of SpinCo and to recommend to the SpinCo Board changes to improve SpinCo's ability to recruit, retain and motivate employees.

The SpinCo Governance, Nominating, and Remuneration Committee will be comprised of at least two directors, or such greater number as the SpinCo Board may determine from time to time and a majority of the members of the Committee are required to be independent; as such term is defined for this purpose under applicable securities requirements. Pursuant to the proposed mandate and terms of reference of the SpinCo Governance, Nominating, and Remuneration Committee, meetings of the Committee are to take place at least one time per year and at such other times as the Chair of the SpinCo Governance, Nominating, and Remuneration Committee may determine.

### **Other Board Committees**

Other than the Audit Committee and the SpinCo Governance, Nominating, and Remuneration Committee, it is expected that SpinCo will establish a SpinCo Quality, Health, Safety, Environmental and Security Committee, to assist SpinCo and its subsidiaries in effectively carrying out its responsibilities.

The SpinCo Quality, Health, Safety, Environmental and Security Committee is responsible for monitoring and making recommendations with respect to the quality, health, safety and environmental policies, practices and procedures of SpinCo and its subsidiaries. The SpinCo Quality, Health, Safety, Environmental and Security Committee will operate under a written terms of reference that details its composition, its duties, and its reporting. It is expected that the SpinCo Quality, Health, Safety, Environmental and Security Committee will be comprised of the CEO and independent directors, namely Michael Maguire, Michael Binnion, and Bruce Apana. The Quality, Health, Safety, Environmental and Security Committee Terms of Reference will be published on SpinCo's website.

### **Assessments**

Ensuring the effectiveness of the SpinCo Board, its committees and individual directors will be assigned to the SpinCo Governance, Nominating and Remuneration Committee. It is expected that the SpinCo Governance, Nominating and Remuneration Committee will annually review the mandate of the SpinCo Board and the fulfilment of such mandate.

## **RISK FACTORS**

If any event arising from the risk factors set forth below or described under the heading "*Risk Factors*" in this Circular occurs, SpinCo's business, prospects, financial condition, results of operation or cash flow and, in some cases, its reputation could be materially adversely affected. See "*Risk Factors*" in this Circular and the risk factors set out below and in the Management's Discussion and Analysis in Appendix "H" to this Circular.

### **Risk Factors Related to the Arrangement and SpinCo Specifically**

#### ***Financing of SpinCo Following the Arrangement***

Following the Arrangement, SpinCo may need to raise financing on a stand-alone basis without reference to High Arctic. Following the Arrangement, SpinCo may not be able to secure adequate debt or equity financing on desirable terms or at all.

#### ***Historical Financial Information of PNG Business Not Indicative of Future Results***

The PNG Business that SpinCo will acquire pursuant to the Arrangement have been part of High Arctic for a number of years. Prior to completion of the Arrangement, however, SpinCo will not have conducted any business activities. In the past, the PNG Business operated in the context of High Arctic's business as a whole. Accordingly, employees who operated the PNG Business had access to High Arctic's resources, including High Arctic's systems, business contacts, financial resources, senior management and other expertise and resources. Following completion of the Arrangement, SpinCo will not have the same access to High Arctic's expertise and resources. There can be no assurance that SpinCo will have similar expertise or resources through internal sources or by contracting services with third parties, or if such expertise or resources can be obtained on the same basis, or at the same or lesser cost, as provided historically by High Arctic.

Although SpinCo expects to benefit from focusing its management on the PNG Business and leveraging the experience that management and employees have gained while working at High Arctic, SpinCo may be less successful in implementing its business strategy. As a result, SpinCo may experience significant fluctuations in its

results, which may vary from those projected by management. No assurance can be given that SpinCo will be successful in implementing its business strategy or that it will achieve expected future results which could materially adversely affect SpinCo's business and financial condition.

### ***Transition and Management of Growth***

SpinCo may be subject to both transition and growth-related risks, including capacity constraints and pressure on its internal systems and controls. SpinCo will not have carried on any operating business prior to completion of the Arrangement, and although it believes that it will have adequate staff and resources, it may lack sufficient resources to operate as a stand-alone company. The historical financial and operating results of the PNG Business while it was under the management of High Arctic may not be indicative of future results. The ability of SpinCo to manage both its transition to a stand-alone company and future growth effectively will require it to continue to implement and improve financial and land systems and to expand, train and manage its employee base. The inability of SpinCo to deal with this transition and growth may have a material adverse effect on SpinCo's business and financial condition.

### ***Market for SpinCo Common Shares***

There is currently no market for the SpinCo Common Shares. SpinCo has applied to list the SpinCo Common Shares on the TSXV. Listing of the SpinCo Common Shares on the TSXV will be subject to SpinCo meeting the original listing requirements of the TSXV.

### **Risks Relating to SpinCo's Business in General**

#### ***Risks Applicable to the Oil and Gas Industry in General***

The success of SpinCo is dependent to a great extent on the health of the extractive industries and particularly the oil and natural gas industry in PNG and internationally which, in turn, is driven in large part by commodity prices. As a service provider to this industry, SpinCo is exposed to various risks, including:

- volatility in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- the Russia-Ukraine conflict has had a significant impact on many aspects of the global economy. It has affected geopolitical relations between Russia and other countries, disrupted oil and gas supply chains, led to an increased focus on energy security and increased demand for energy services from other regions. This conflict could continue to cause disruption in the long term due to political tensions, policy change and economic factors;
- the emergence of conflict in the Middle East has increased risk to safe transportation and shipping via the Suez canal and threatens to impact global oil and gas trade;
- general economic and political conditions in jurisdictions in which SpinCo operates including variations in currency exchange rates, interest rates and income tax rates;
- macroeconomic events can have a wide-ranging effect on the global economy. This includes increasing prices of commodities, impacts of government fiscal policy, increased costs of doing business and higher borrowing costs due to rising interest rates;
- risks inherent in foreign operations, including political, economic risk and the risk of foreign currency controls that could restrict the transfer of funds in or out of countries in which SpinCo operates or result in the imposition of taxes on such transfers;

- lingering affects of the Covid-19 pandemic which resulted in cessation of travel to PNG for nearly 2 years and has caused widespread economic volatility, with effects ranging from restrictions on freedom of movement and disruptions to deployment of labour force, international trade, and tourism;
- suppliers and third-party vendors experiencing workforce disruption or being ordered to cease operations;
- the implications of changes to government and government policy in countries where SpinCo conducts business;
- government and regulatory approval of our customers' projects;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental guidelines, climate change policy, and resource extraction or development agreements;
- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the workover and completion of oil and natural gas wells;
- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks arising below ground surface;
- credit risks associated with customers in the oil and natural gas industry, including the inability of a significant customer to pay for goods and services that have been provided;
- natural disasters, including earthquakes, particularly in PNG which is a country with frequently measured seismic events; and
- uncertainties in weather affecting the ability to provide services and/or the duration of the service periods and the activities that can be completed.

These factors may have an impact upon SpinCo and SpinCo's customer base which, in turn, would impact SpinCo's business prospects. The following provides a further description of the risks associated with SpinCo's business and the oilfield services business in general. This list should not be taken as an exhaustive list, nor should it be taken as a complete summary or description of all the risks associated with SpinCo's business.

### ***Volatility of Industry Conditions***

The demand, pricing and terms for SpinCo's services depend significantly upon the level of expenditures made by oil and gas companies on exploration, development, and production activities. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively high, demand for SpinCo's services is high. The converse is also true. Historically, oilfield services companies are more sensitive to crude oil price volatility compared to companies doing exploration and production.

Over the past few years, crude oil and gas prices have experienced significant fluctuations and are expected to remain volatile in the future. In later 2014, crude oil prices underwent a substantial decline and remained suppressed until the later part of 2021, influenced by various factors beyond SpinCo's control. These factors include global energy supply, production, and policies, such as OPEC's ability to set and maintain production levels to influence or control oil prices, non-OPEC countries' oil and gas production, consumer demand, political conditions (including the risk of war involving producer countries, hostilities in the Middle East, and global terrorism), global and domestic economic conditions (including currency fluctuations), export, production, and delivery costs, technological

advancements affecting energy consumption, weather conditions, and the impact of worldwide energy conservation and greenhouse gas reduction measures, as well as the price and availability of alternative energy sources, and government policies and regulations. Ongoing fluctuations in demand due to global events, such as the Russia-Ukraine conflict and high global cost inflation, have further contributed to the volatility in oil and gas prices.

The commencement of conflict between Russian forces and Ukraine in February 2022 was a significant event that had global repercussions. This conflict led to a heightened level of geopolitical tensions, as well as increased sanctions on Russia from countries around the world. The international community was quick to condemn Russia for its actions, and the sanctions were put in place to pressure Russia to change its behavior. One of the consequences of these actions was a subsequent rise in global oil and gas prices. This was due to the fact that Russia is one of the world's largest oil and gas producers, and the sanctions on the country disrupted the global supply chain. As a result, prices rose, which had a significant impact on the global economy. It remains unclear how the escalation of geopolitical risks resulting from the conflict in Ukraine will affect the global oil and gas industry and corporations in the future. This is a matter of concern for many, as the oil and gas industry is one of the most important sectors of the global economy.

Another factor that influenced global oil prices in 2022 was the return of energy demand following the relaxation of government controls associated with the Covid-19 pandemic. As economies around the world recovered and the global movement of people and goods returned, the demand for oil and gas increased, which led to higher prices. However, as a consequence of high energy prices and other factors, high cost-inflation manifested globally and fears of recession began to dominate many markets. As a consequence, energy demand growth curtailed towards the end of the year driving prices lower, OPEC responded with cuts to output targets in November and prices stabilized somewhat.

Based on OPEC's responses to changing market conditions in recent years, it is evident that the organization will continue to try to ensure healthy oil prices globally. However, perceived limits of the spare capacity of OPEC members and their ability to increase production to meet increasing demand creates additional uncertainty regarding oil prices going forward. This uncertainty makes it difficult for corporations and investors to plan for the future, as they must consider the potential impact of changing market conditions on the oil and gas industry and global economies.

In addition to the volatility of oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors in the industry over which SpinCo has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability and expected availability of pipeline and other oil and gas transportation capacity; demand for heating and cooling; availability and pricing of alternate energy sources; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital and/or debt financing; and currency fluctuations in the jurisdiction where we operate. A further decline in expenditures by oil and gas companies caused by the fluctuations in and uncertainty regarding crude oil pricing and low natural gas prices or otherwise, could have a material adverse effect on SpinCo's business, financial condition, results of operations and cash flows. Conversely a sustained recovery and increase in oil and gas prices could drive a material improvement in demand for and pricing of SpinCo's services. Such recoveries create a business risk to SpinCo as well, including the need to ensure appropriate levels of operating and support personnel are available to the organization to allow for the continuation and growth of quality service to our customers and appropriate returns to our shareholders.

### ***Risks Applicable to the PNG Business***

A significant portion of SpinCo's activities are conducted in PNG, which displays characteristics of an emerging market. SpinCo's operations are subject to special risks inherent in doing business outside Canada. These risks can involve matters arising out of the policies of foreign governments, imposition of special taxes or similar charges by government bodies, restrictions on carrying on business or the revocation or non-issuance of licenses to carry on business by a foreign government, foreign exchange fluctuations and controls, civil disturbances, including

landowner disputes, and deprivation or unenforceability of contract rights or the taking of property without fair compensation. Foreign properties, operations and investments may be adversely affected by local political and economic developments, including nationalization, laws affecting foreign ownership, government participation, royalties, duties, rates of exchange, exchange controls, currency fluctuation, taxation and new laws or policies as well as by laws and policies of Canada affecting foreign trade, investment, and taxation.

Furthermore, it is important for SpinCo to maintain good relationships with the governments in the countries in which it operates, particularly PNG. SpinCo may not be able to maintain such relationships if the governments of these countries change. Democracies, by their very nature, involve government change from time to time and changes to governing parties and the policies of governing parties can impact SpinCo at an industry, resource development and business level. Certain regions in which SpinCo may conduct operations, including PNG, have been subject to political and economic instability. SpinCo's operations are subject to government legislation, policies and controls relating to environmental protection, taxes, and labour standards. To attempt to mitigate these risks, SpinCo employs personnel with extensive experience in the international marketplace, supplemented with qualified local staff. Management is unable to predict the extent or duration of these risks or quantify their potential impact.

Further, PNG held elections in July 2022. James Marape was returned as Prime Minister and he formed a new coalition government including the appointment of John Rosso as his deputy Prime Minister. Government terms are for fixed five-year periods and they enjoy an 18-month grace period when a vote of no-confidence is not permitted. It is common in PNG politics for governments to change by vote of no-confidence during a term, with only two Prime Ministers ever completing a full term. In early 2024 striking by members of the public service, looting and vandalism on a large scale in the Capital Port Moresby and tribal conflict in remote parts of the Country have resulted in many members of the ruling government moving to the opposition citing failures of the Marape-Rosso government. It is expected that the opposition will bring a vote of no-confidence at some point in 2024 if MP's continue to leave the government.

Since SpinCo derives a material portion of its revenues from its subsidiaries incorporated outside Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries to SpinCo may be subject to restrictions or controls on the transfer of funds in or out of these countries or result in the imposition of taxes on such payments or advances. In addition, since SpinCo's international activities are governed by foreign laws, in the event of a dispute, SpinCo may be subject to the exclusive jurisdiction of foreign courts and the application of foreign laws or may not be successful in subjecting foreign persons to the jurisdiction of Canadian courts.

In PNG, the Bank of PNG policy continues to encourage the use of the local market currency in PNG, the Kina. Due to SpinCo's requirement to transact with international suppliers and customers, SpinCo will need approval from the Bank of PNG to continue to maintain its USD bank account within the conditions imposed by the Bank of PNG. SpinCo will continue to use the Kina to settle local transactions in PNG when practical. Included in the Bank of PNG's conditions is for future contracts to be settled in Kina, unless otherwise approved by the Bank of PNG for the contracts to be settled in USD. High Arctic has historically received such approval for its drilling services contracts with its key customers in PNG and SpinCo will need to receive the same approvals. SpinCo will need to seek Bank of PNG approval for future customer drilling contracts to be settled in USD on a contract-by-contract basis, however there is no assurance the Bank of PNG will continue to grant these approvals. If such approvals are not received, SpinCo's PNG drilling contracts will be settled in Kina which would expose SpinCo to exchange rate fluctuations related to the Kina. In addition, this may delay SpinCo's ability to receive USD which may impact SpinCo's ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis. In February 2023, High Arctic received advice from the PNG Central Bank instructing SpinCo to settle our contract for Rig 103 in PNG Kina. High Arctic has engaged dialogue with the bank aimed at reinstating approval to settle the contract in USD, and dialogue is ongoing.

In addition to the approval from the Bank of PNG to maintain a USD account in PNG and maintain SpinCo's contracts in USD, SpinCo is also required to receive a tax clearance certificate from the PNG Internal Revenue Commission in order to make payments to non-resident suppliers and disbursements such as intercompany

dividends out of PNG. Other than the processing time to receive these certificates, High Arctic has received approval of all certificates in the past. SpinCo intends to repatriate excess funds from PNG consistent with past practices as approval is received from the Bank of PNG and the Internal Revenue Commission.

### ***Dependence on Major Customers***

SpinCo is expected to provide ongoing services to two large multinational/regional customers who accounted for approximately 98% of the revenue of the PNG Business in 2023. The PNG Business has historically had a stable relationship with these customers, however, there can be no assurance that SpinCo's relationship with the customers will continue. A significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, may have a material adverse effect on SpinCo's business, results of operations, financial conditions and cash flows. SpinCo constantly strives to win new business and commit to contracts to reduce its reliance on specific customers.

### ***Excess Equipment Levels in the Industry***

Due to the long-life nature of oilfield service equipment and the long delivery time for equipment being manufactured, the quality of equipment available does not always correspond with the demand for its use. Periods of high demand often lead to increases in capital expenditures, which in turn lead to increased supply. Such increases in supply often lead to downward pricing pressures across the industry which could materially impact SpinCo's profitability if there is a subsequent reduction in demand. Additionally, SpinCo could fail to secure sufficient work in which to employ its equipment, which could have a material adverse effect on SpinCo's business, results of operations, financial conditions, and cash flows.

### ***Safety Performance***

Standards for the prevention of incidents in the extractive industries are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. Safety is captured in SpinCo's Health and Safety Policy, which states that we value human life above all, and will not prioritize profit over safety. No job is so urgent or important that the necessary steps for safety cannot be undertaken. Many customers consider safety performance a key factor in selecting oilfield service providers. Deterioration of SpinCo's safety performance could result in a decline in the demand for SpinCo's services and could have a material adverse effect on SpinCo's business, financial condition, results of operations and cash flows.

### ***Operational Risk and Insurance***

SpinCo's operations are subject to operational risks inherent in the extractive industries. These risks include equipment defects, malfunction and failures, human error, natural disasters, vehicle accidents, explosions, and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to the source formations, damage to facilities, business interruptions and damage to or destruction of property, equipment and the environment. These risks could expose SpinCo to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees, and regulators.

Although SpinCo contractually limits and excludes certain potential liabilities and maintains insurance coverage that it believes is adequate and customary for a contractor in the oilfield services industry, there can be no assurance that such insurance will be adequate to cover SpinCo's future liabilities. In addition, there can be no assurance that SpinCo will be able to maintain adequate insurance at rates it considers reasonable and commercially justifiable.

The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by SpinCo, or a claim at a time when SpinCo is not able to obtain adequate insurance, could have a material adverse



effect on SpinCo's ability to conduct normal business operations and on its financial condition, results of operations and cash flows.

### ***Government Regulation and Anti-Bribery Laws***

The operations of SpinCo in PNG and elsewhere are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its customers. Such laws or regulations are subject to change and may have a material impact to SpinCo's operations or costs to comply with changes to such laws or regulations in the future. Accordingly, it is impossible to predict the cost or impact that such laws and regulations may have on SpinCo or its future operations.

SpinCo's obligation to comply with laws and regulations also includes those involving bribery and anti-corruption. SpinCo's main subsidiary will operate in PNG and may expand its operations to other international locations in the future. In the course of SpinCo's operations, SpinCo personnel may be required to interact with certain government and foreign officials from time to time. SpinCo has controls, policies, procedures, and training that mandate the compliance with these laws and regulations, however there can be no assurance that employees or consultants will not violate these controls, policies, and procedures. Any alleged violation of these laws and regulations could disrupt the business and cause SpinCo to incur significant costs to investigate any alleged breach. If SpinCo was found to be in contravention with these laws and regulations, severe civil and criminal penalties and other sanctions could materially harm their reputation, business, result of operations, financial conditions and liquidity.

### ***Sources, Pricing and Availability of Equipment and Equipment Parts***

SpinCo sources its equipment and equipment parts from a variety of suppliers which are located throughout the world. Failure of suppliers to deliver supplies and materials in a timely and efficient manner would be detrimental to SpinCo's ability to maintain levels of service to its customers. SpinCo is also dependent on the technical services of other parties for certain parts and services. SpinCo will attempt to mitigate this risk by maintaining good relations with key suppliers. However, if the current suppliers are unable to provide the supplies and materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to our clients could have a material adverse effect on our results of operations and our financial condition.

### ***Alternatives to and Changing Demand for Petroleum Products***

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil, natural gas and other hydrocarbons. SpinCo cannot predict the impact of changing demand for oil and natural gas products, and any major changes could materially adversely affect SpinCo's business and financial condition.

### ***Climate Change, Natural Disasters and Environmental Regulations***

The effects of climate change, including physical and regulatory impacts, could have a negative impact on our operations and the demand for oil and natural gas. Laws, regulations or treaties concerning climate change or greenhouse gas emissions, including incentives to conserve energy or use alternate sources of energy, can have an adverse impact on the demand for oil and natural gas, which could have a material adverse effect on High Arctic. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in the imposition of material fines and penalties. Natural disasters may result in delays or cancellation of some of our customer's operations or could increase our operating costs (such as insurance costs), which could have a material adverse effect on our business and operating results.

The Paris Agreement, which was drafted at the United Nations Framework Convention on Climate Change in December 2015, has been signed by PNG. However, the effect of this agreement and other climate-related legislation, as well as the adoption of additional measures at the federal, state, provincial or local levels in PNG, is

currently unpredictable. The growing concerns about climate change have led to opposition from environmental activists and the public towards the continued exploitation and development of fossil fuels. As a result, investors are becoming increasingly hesitant to invest in the oil and gas industry. Furthermore, there has been a movement to hold governments and oil and gas companies accountable for climate change through climate litigation. In November 2022, countries worldwide met in Egypt for the COP 27 global climate summit. During the summit, the governments committed to achieving net-zero emissions from national government operations no later than 2050 and discussed the impacts of climate change, reaffirming the goal to limit temperature rise to 1.5 degrees Celsius. Governments and non-governmental organizations continue to make efforts to reduce greenhouse gas emissions, which may ultimately reduce the growth in demand for oil and natural gas and, in time, reduce consumption. In addition, the implementation of policies by certain institutions that discourage investments in the industry could have adverse effects on financing costs, as well as the industry's access to liquidity and capital. COP 28 held in Dubai in 2023 saw an acknowledgment of the role petrochemicals play in the global economy through representation for the first time at a COP conference. The key takeaway from the conference was a commitment to transition away from fossil fuel energy, invest in carbon-reduction technologies and address methane leakage emissions.

Criticism of the oil and gas industry could harm our reputation and erode shareholder confidence and public support. While SpinCo is not a significant contributor to greenhouse gas emissions, mandatory emission reductions may increase operating costs and capital expenditures for oil and gas producers, which could decrease the demand for our services. As the dialogue regarding climate change and greenhouse gas control continues to evolve and new requirements emerge, we cannot predict the impact of current and impending emissions reduction legislation on SpinCo and its customers. Such impact could have a material adverse effect on our business, financial condition, results of operations and cash flows. SpinCo is committed to addressing environmental concerns and taking a proactive approach.

Due to these foregoing climate change risks, we have been and continue to use our know-how to develop ways to assist our customers to reduce their greenhouse gas emissions through the provision of our services. SpinCo did not incur any material expenditure in the past year as a result of environmental protection requirements, nor does it anticipate environmental protection requirements to have a material financial or operational impact on the capital expenditures, earnings, or competitive position of SpinCo in 2024.

### ***Environmental***

All phases of the extractive industries present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Compliance with environmental legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require SpinCo to incur costs to remedy such discharge. Although SpinCo believes that the PNG Business is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on SpinCo's business, financial condition, results of operations and prospects.

### ***Pandemic Risk***

The outbreak of epidemics, pandemics, and other public health crises in geographic areas in which SpinCo has operations, suppliers, customers, or employees, including the global outbreak of the Covid-19 pandemic, may

increase our exposure to, and magnitude of, each of the risks identified herein, resulting from a reduction in demand for crude oil and natural gas consumption and/or lower commodity prices. Our business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, ability to fund dividend payments and/or business plans may without limitation, be adversely impacted as a result of:

- the delay or suspension of work due to workforce disruption or labour shortages caused by workers becoming infected, or government or health authority shelter in place orders, quarantine orders, mandated restrictions on travel by workers or closure of facilities, workforce camps or worksites;
- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to suspend operations;
- reduced cash flows resulting in less funds from operations being available to fund our capital expenditure;
- counterparties being unable to fulfill their contractual obligations to us on a timely basis or at all;
- the capabilities of our information technology systems and the potential heightened threat of a cybersecurity breach arising from the increased number of employees working remotely;
- our ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, foreign currency exchange rates, commodity prices and/or a change in market fundamentals; and
- an overall slowdown in the global economy, political and economic instability, and civil unrest.

Given the dynamic nature of the events related to the Covid-19 pandemic, it is uncertain whether Covid-19 will resurge, and the full extent of the impact that Covid-19 will have on our business, financial condition, results of operations or cash flows cannot be predicted.

### ***Financing Risk***

SpinCo exposed to risk associated with access to equity capital and debt financing required for business needs and the risk that necessary capital cannot be acquired on a timely basis, on reasonable terms to SpinCo, or at all. The asset base, working capital, existing mortgage debt, profitability of existing operations, and future projected activities impact the ability of SpinCo to access debt and equity financing. Where additional financing is raised by the issuance of SpinCo Common Shares or securities convertible into SpinCo Common Shares, control of SpinCo may change, and shareholders may suffer dilution to their investment.

### ***Liquidity Risk***

Liquidity risk is the risk that SpinCo will not be able to meet its financial obligations as they fall due. SpinCo's approach to managing liquidity is to continually monitor its financial resources to provide sufficient liquidity to meet its liabilities when due. SpinCo's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, coordinating, and authorizing project expenditures, and authorization of contractual agreements. SpinCo seeks to manage its financing based on the results of these processes.

### ***Global Financial Markets***

Recent market events and conditions, including the sharp decline in crude prices, have created a climate of greater volatility, less liquidity, and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and

other financial institutions have negatively impacted credit markets and caused stock markets to experience significant volatility.

### ***Volatility in Market Price of SpinCo Common Shares***

If and when the SpinCo Common Shares are listed on the TSXV (or another recognized stock exchange), the market price for SpinCo Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond SpinCo's control, including the following: (i) actual or anticipated fluctuations in SpinCo's financial results; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other companies that investors deem comparable to SpinCo; (iv) the loss or resignation of members of management or the SpinCo Board and other key personnel of SpinCo; (v) sales or perceived sales of additional SpinCo Common Shares; (vi) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving SpinCo or its competitors where SpinCo does not realize its anticipated benefits from such transaction; (vii) trends, concerns, technological or competitive developments, regulatory changes and other related issues in the oil and natural gas industry; and (viii) actual or anticipated fluctuations in interest rates.

Financial markets have experienced significant price and volume fluctuations in recent years that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the SpinCo Common Shares may decline even if SpinCo's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values which may result in impairment losses. Certain institutional investors may base their investment decisions on consideration of SpinCo's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the SpinCo Common Shares by those institutions, which could adversely affect the trading price of the SpinCo Common Shares.

### ***Tax Compliance***

The taxation of corporations is complex. In the ordinary course of business, SpinCo is subject to ongoing audits by tax authorities. While SpinCo will endeavour to ensure that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, the calculation of taxable income, taxes payable and related tax filings may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on SpinCo's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect SpinCo's tax position. As a consequence, SpinCo is unable to predict with certainty the effect of the foregoing on SpinCo's effective tax rate and earnings.

SpinCo will regularly review the adequacy of its tax provisions and believes that it has adequately provided for those matters. Should the ultimate outcomes materially differ from the provisions, SpinCo's effective tax rate and earnings may be affected positively or negatively in the period in which the matters are resolved. SpinCo intends to mitigate this risk through ensuring that tax filing positions are carefully scrutinized by management and external consultants, as appropriate.

### ***Income Tax Risk***

SpinCo has risks for income tax matters, including the unanticipated tax and other expenses and liabilities of SpinCo due to changes in income tax laws. SpinCo must file tax returns in the foreign jurisdictions in which it operates. The tax laws and the prevailing assessment practices are subject to interpretation and the foreign authorities may disagree with the filing positions adopted by SpinCo. The impact of any challenges cannot be reliably estimated and may be significant to the financial position or overall operations of SpinCo.

### ***Reliance on Key Personnel***

SpinCo's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on SpinCo's business and financial condition. SpinCo does not intend

to have any key personnel insurance in effect upon completion of the Arrangement. In addition, the competition for qualified personnel in PNG, and in particular, the oil and natural gas industry, is intense and there can be no assurance that SpinCo will be able to continue to attract and retain all personnel necessary for the development and operation of the PNG Business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management.

### ***Capital and Additional Funding Requirements***

SpinCo's cash flow from the PNG Business may not be sufficient to fund its ongoing activities at all times, and from time to time SpinCo may require additional financing in order to carry out its business activities. There is risk that if the economy and banking industry experienced unexpected and/or prolonged deterioration, SpinCo's access to additional financing may be affected. The inability of SpinCo to access sufficient capital for its operations could materially adversely affect SpinCo's financial condition.

SpinCo may, from time to time, have restricted access to capital and increased borrowing costs as a result of global economic volatility. Failure to obtain such financing on a timely basis could cause SpinCo to miss certain business opportunities and reduce or terminate SpinCo's operations. SpinCo's ability to make capital investments and maintain existing assets may be impaired, and SpinCo's assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result.

The PNG business is currently unleveraged and is expected to exit the reorganization with adequate cash balances to provide working capital that combined with expected funds generated from operations, SpinCo believes it will have sufficient funds to sustain the existing business and fund its projected capital expenditures. However, if funds generated from operations are lower than expected or capital costs for these projects exceed current estimates, or if SpinCo incurs major unanticipated expenses related to development or maintenance of its existing assets, it may be required to seek additional capital to maintain its capital expenditures at planned levels.

### ***Dilution***

SpinCo may make future acquisitions or enter into financings or other transactions involving the issuance of securities of SpinCo, which may be dilutive to existing shareholders. There are no restrictions in SpinCo's articles or by-laws with respect to the number of shares of any class that may be issued by SpinCo.

### ***Issuance of Debt***

From time to time, SpinCo may finance its activities, including potential future acquisitions, in whole or in part with debt, which may increase SpinCo's debt levels above industry standards for peers of similar size. Depending on future exploration and development plans, SpinCo may require additional debt financing that may not be available or, if available, may not be available on favourable terms. Neither SpinCo's articles nor its by-laws limit the amount of indebtedness that SpinCo may incur. The level of SpinCo's indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

### ***Competition***

Services to the extractive industries is highly competitive and SpinCo competes with a number of companies which may have more equipment and personnel as well as greater financial resources. SpinCo's ability to generate revenue and earnings depends primarily upon its ability to win bids in competitive bidding processes and to perform awarded projects within estimated times and costs. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of SpinCo or that new or existing competitors will not enter the various markets in which SpinCo is active. In certain aspects of its business, SpinCo also competes with several small and medium-sized companies, which, like SpinCo, have certain competitive advantages such as low overhead costs and local strengths. In addition, reduced levels of activity in the extractive industries can intensify competition and may result in lower revenue for SpinCo.

### ***Technology Risks***

The extractive industries are characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. The ability of SpinCo to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. Other companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before SpinCo. There can be no assurance that SpinCo will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by SpinCo or implemented in the future may become obsolete. In such case, SpinCo's business, financial condition and results of operations could be materially adversely affected. If SpinCo is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

Further, we increasingly rely on information technology systems and other digital systems to operate our business. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow and are increased by the growing complexity of our information technology systems. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in our critical systems.

Other cyber incidents may occur as a result of natural disasters, telecommunication failure, utility outages, human error, design defects, and unexpected complications with technology upgrades. Risks associated with these attacks and other incidents include, among other things, loss of intellectual property, reputational harm, leaked information, improper use of our assets, disruption of our and our customers' business operations and safety procedures, loss or damage to our data systems, unauthorized disclosure of personal information which could result in administrative penalties and increased costs to prevent, respond to or mitigate cybersecurity events. Although we monitor our information technology systems for threats, cybersecurity attacks and other incidents are evolving and unpredictable. The occurrence of such an attack or incident could go unnoticed for a period of time. Any such attack or incident could have a material adverse effect on our business, financial condition results of operations and cash flow.

### ***Failure to Realize Anticipated Benefits of Acquisitions and Dispositions***

SpinCo considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as SpinCo's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of SpinCo.

The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, certain assets are periodically disposed of, so that SpinCo can focus its efforts and resources more efficiently. Depending on the state of the market for such assets, certain identified assets of SpinCo, if disposed of, could realize less than their carrying value in the financial statements of SpinCo.

### ***Conflicts of Interest***

Certain directors or officers of SpinCo may also, or may in the future be, directors or officers of other oil and gas services companies, including High Arctic, that may compete or be counterparties to agreements with SpinCo, and as such may, in certain circumstances, have a conflict of interest. Conflicts of interest, if any, will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with SpinCo disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA. See "*Directors and Executive Officers — Conflicts of Interest*".

### ***Significant Shareholders***

It is anticipated that SpinCo will have one shareholder that will directly or indirectly has the ability to control the votes to approximately 45% of the issued and outstanding SpinCo Common Shares and, as such, may be in a position to significantly influence the outcome of actions requiring shareholder approval.

### ***Internal Control Deficiencies***

Senior management personnel have conducted reviews and designed and developed processes to ensure that internal controls are established and adhered to. Based upon their evaluation of the internal controls, the Chief Executive Officer and Chief Financial Officer have satisfied themselves that the internal controls are effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, SpinCo's potential inability to successfully address potential material weaknesses in internal controls or other control deficiencies may affect its ability to report its financial results on a timely and accurate basis and to comply with disclosure and other requirements.

### ***Dividends***

The amount of future cash dividends paid by SpinCo will be subject to the discretion of the SpinCo Board and may vary depending on a variety of factors and conditions existing from time to time, many of which will be beyond the control of SpinCo. These factors and conditions include fluctuations in capital expenditure requirements, debt service requirements, restrictions imposed on SpinCo by its lenders, operating costs, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. There can be no assurance that SpinCo will pay dividends in the future.

### ***Forward-Looking Statements and Information May Prove Inaccurate***

Shareholders and prospective investors are cautioned not to place undue reliance on SpinCo's forward-looking statements and information. By its nature, forward-looking statements and information involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, which could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

### ***Breach of Confidentiality***

While discussing potential business relationships or other transactions with third parties, SpinCo may disclose confidential information relating to the business, operations or affairs of SpinCo. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put SpinCo at competitive risk and may cause significant damage to its business. The harm to SpinCo's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, SpinCo will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

### ***Third Party Credit Risk***

SpinCo's accounts receivable are predominantly with customers who explore for and develop petroleum reserves and are subject to normal industry credit risks. SpinCo assesses the creditworthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

SpinCo views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance. During times of weak economic conditions, the risk of increased payment delays and default increases due to reductions in customers' cash flows. Failure to collect accounts receivable from customers could have a material adverse effect on SpinCo's business, financial condition, results of operations and cash flows. SpinCo generally grants unsecured credit to its customers; however,

it evaluates all new customers, as appropriate, and analyzes and reviews the financial health of its current customers on an ongoing basis.

SpinCo has a range of customers comprised of small local businesses, intermediate regional companies, and large multinational oil and gas producers. Management has assessed the customers as creditworthy and SpinCo has had no history of collection issues with its customers, however, the inability for SpinCo's customers to meet their financial obligation to SpinCo could have a material adverse effect on SpinCo's business, financial condition, results of operations and cash flows.

### **PROMOTER**

Under applicable Canadian securities laws, High Arctic may be considered a promoter of SpinCo in that it took the initiative in founding SpinCo for the purpose of implementing the Arrangement. See "*The Arrangement*" in this Circular.

As of the date hereof High Arctic owns one (1) SpinCo Common Share, and subsequent to the completion of the Arrangement, High Arctic will not beneficially own, control or direct, directly or indirectly, any SpinCo Common Shares.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no legal proceedings to which High Arctic or SpinCo is a party to, or in respect of which, the PNG Business is the subject of, which is or will be material to SpinCo, and SpinCo is not aware of any such legal proceedings that are contemplated.

Since incorporation, there have not been any penalties or sanctions imposed against SpinCo or HAES Cyprus by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against SpinCo, and SpinCo has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of the proposed directors or executive officers of SpinCo or any person or company that is the direct or indirect owner of, or who exercises control or direction of, more than 10 percent of any class or series of SpinCo's outstanding voting securities, of which there are none that SpinCo or High Arctic are aware, or any associate or affiliate of any of the foregoing persons, in each case, on a pro forma basis as at December 31, 2023 after giving effect to the Arrangement has or has had any material interest, direct or indirect, in any past transaction or any proposed transaction that has materially affected or is reasonably expected to materially affect SpinCo.

### **AUDITORS, REGISTRAR AND TRANSFER AGENT**

The auditors of SpinCo are KPMG LLP, Calgary, Alberta.

Odyssey Trust Company of Canada, at its principal offices in Calgary, Alberta, is expected to be appointed as the transfer agent and registrar of the SpinCo Common Shares.

### **MATERIAL CONTRACTS**

The only contract entered into by SpinCo or High Arctic that materially affect or will materially affect SpinCo or the PNG Business during the past two years or to which SpinCo will become a party on or prior to the Effective Date, that can reasonably be regarded as material to a proposed investor in SpinCo Common Shares, other than contracts entered into in the ordinary course of business, is the Arrangement Agreement - see "*The Arrangement - the Arrangement Agreement*" in this Circular for particulars of the Arrangement Agreement.



### **INTERESTS OF EXPERTS**

KPMG LLP are the auditors of SpinCo and have confirmed that they are independent with respect to SpinCo within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

## SCHEDULE "A"

### AUDIT COMMITTEE CHARTER

#### 1. Constitution

Pursuant to the *Business Corporations Act* (Alberta), the bylaws of High Arctic Overseas Holdings Corp. (the "**Corporation**") and annual resolutions of the Board of Directors of the Corporation (the "**Board**") and in intended compliance with applicable corporate and securities laws and the requirements of each stock exchange upon which securities of the Corporation are traded, there is hereby constituted, as a standing committee of the Board, a committee designated as the "Audit Committee" (the "**Committee**"), which Committee is delegated the powers and subject to the terms of reference hereinafter set forth.

#### 2. Mandate

The mandate of the Committee shall be to assist the Board in fulfilling its oversight responsibilities in respect of: (i) the adequacy, integrity and effectiveness of the Corporation's and its subsidiaries (collectively, "**High Arctic Overseas**") financial reporting process and financial statements, including, without limitation, the adequacy, integrity and effectiveness of internal financial and management controls and systems; and the adequacy and integrity of the audit process; and (ii) risk management for High Arctic Overseas, including, without limitation, the adequacy, integrity and effectiveness of risk management systems and reporting, in addition to any mandate or function prescribed by applicable law, regulation or rule to be discharged by the Committee constituted as the audit committee of an entity such as High Arctic Overseas.

The purpose of this document is to establish the terms of reference for the Audit Committee to assist the Board in fulfilling its oversight responsibilities. Responsibility for accounting for transactions and internal control over financial accounting lies with executive officers of the Corporation and senior management ("**Management**") of the Corporation.

#### 3. Organization and Operation

- (a) The Committee shall be comprised of a minimum of three (3) members of the Board. Committee members shall be appointed by the Board provided that any member may be removed or replaced at any time by the Board.
- (b) Each of the members of the Committee shall be "unrelated directors", "outside directors" and "financially literate", as such terms are defined from time to time pursuant to the Governance Guidelines of the Toronto Stock Exchange and, to the extent practicable, the Committee shall include at least one member who may reasonably be regarded as a financial expert. In addition, each of the members of the Committee shall be "independent" and "financially literate" as required by Multilateral Instrument 52-110 adopted by the Canadian Securities Administrators ("**CSA**") or any rule or instrument implemented in substitution or addition thereto.
- (c) A majority of the members of the Committee shall be residents of Canada.
- (d) The Committee shall have the power to appoint its chairman.
- (e) Any member of the Committee, the President and Chief Executive Officer or the auditors of the Corporation (the "**auditors**") may call a meeting of the Committee upon not less than 48 hours' notice to the other members of the Committee. The Committee shall have the right to determine who shall, and who shall not, be present at any time during a meeting of the Committee.
- (f) The auditors of the Corporation are entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard thereat and, if so, requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the auditors.

- (g) The Chief Executive Officer and Chief Financial Officer or their designates shall be available to attend at all meetings of the Committee upon invitation of the Committee.
- (h) The Committee shall meet at least four times annually.
- (i) A quorum for meetings of the Committee shall be a majority of its members present in person, by video conference, by telephone, or a combination thereof.
- (j) Questions arising at any meeting of the Committee shall be decided by a majority of the votes cast.
- (k) The rules for calling, holding, conducting, and adjourning meetings of the Committee shall be the same as those governing meetings of the Board or as otherwise provided in the by-laws of the Corporation.
- (l) The Corporate Secretary, or such other person as the Corporate Secretary of the Corporation shall designate, shall keep minutes of the meetings of the Committee. Minutes of each Committee meeting should be concise in describing substantive issues discussed by the Committee and clearly identify Committee responsibilities discharged and those outstanding.
- (m) Except as set forth herein, the Committee may determine its own rules of procedure.

#### 4. Duties and Responsibilities

In the discharge of its mandate, the Committee shall:

##### ***Corporate Information and Internal Control***

- (a) Review and recommend for approval by the Board, annual and quarterly financial statements, and all financial information in any prospectus, offering memorandum, AIF, management's discussion, and analysis ("MD&A") or annual report of the Corporation;
- (b) Review and make recommendations with respect to information and control systems of High Arctic Overseas;
- (c) Review and approve all major changes to information and control systems of High Arctic Overseas;
- (d) Review and approve spending authorities and expenditure approval limits of officers of High Arctic Overseas;
- (e) Review and approve all determinations made in respect of significant accounting and tax compliance issues;
- (f) Review all significant financial, accounting and tax issues in connection with proposed non-recurring events such as mergers, acquisitions, or divestitures;
- (g) Review and approve all press releases or other publicly circulated documents containing financial information;
- (h) In consultation with the auditors, review and monitor the integrity of the financial statements of High Arctic Overseas and any formal announcements relating to High Arctic Overseas' financial performance, and review significant financial reporting judgments contained therein;
- (i) Review and monitor the effectiveness of High Arctic Overseas' internal control monitoring function;

- (j) Review and monitor the effectiveness of the audit process, taking into consideration applicable professional and regulatory requirements;

### **Auditors**

- (k) Make recommendations to the Board in respect of the auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for High Arctic Overseas, in respect of the terms of retainer of the auditors and, as determined desirable or necessary, in respect of the replacement of the auditors (subject to shareholder notification and approval);
- (l) Review the terms of the auditors' engagement and make recommendations to the Board as to the compensation of the auditors;
- (m) Require the auditors to report directly to the Committee;
- (n) Oversee the work of auditors engaged for the purposes of preparing or issuing an audit report or performing other audit, review, or attest services for High Arctic Overseas, including the resolution of disagreements between management and the auditors regarding financial reporting;
- (o) Annually consider any comments raised by the auditors of the Corporation regarding internal controls and procedures;
- (p) Review and make recommendations in respect of any material issues raised by any internal quality control review (or peer review) of High Arctic Overseas or by any inquiry or investigation by governmental or professional authorities;
- (q) Annually, evaluate the auditors' qualifications, performance, and independence;
- (r) Review and discuss with the auditors any disclosed relationships or services that may impact the objectivity and independence of the auditors;
- (s) Annually, to ensure continuing auditor independence, consider the rotation of the lead audit partner or the auditor itself;
- (t) Where there is a change of auditor, review all issues related to the change, including information to be included in the notice of change of auditors (Section 4.11 of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"), and the planned steps for an orderly transition;
- (u) Review all reportable events, including disagreements, unresolved issues, and consultations, as defined in NI 51-102, on a routine basis, whether or not there is a change of auditors;
- (v) Develop and implement a policy on the engagement of the auditors to supply non-audit services, taking into account any relevant independence guidance regarding the provision of non-audit services by the auditor;
- (w) At each meeting, consult with external auditors, without the presence of management, about the quality of High Arctic Overseas' accounting principles, internal controls and completeness and accuracy of High Arctic Overseas' financial reports;
- (x) Pre-approve engagements for non-audit services provided by the auditors or their affiliates, together with estimated fees and potential issues of independence. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - (i) the aggregate amount of all such non-audit services provided to High Arctic Overseas constitutes not more than five percent of the total amount of revenues paid by High Arctic Overseas to the auditors during the fiscal year in which the non-audit services are provided;

- (ii) such services were not recognized by High Arctic Overseas at the time of the engagement to be non-audit services; and
- (iii) such services are promptly brought to the attention of the Committee by High Arctic Overseas and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee;

- (y) Set hiring policies for partners, employees and former partners and employees of the present and former auditors;
- (z) At least annually, separately interview management and the auditors to discuss the relationship between them, especially as regards to the competency, communication, access provided, and cooperation displayed in matters relating to the audit and the financial affairs of High Arctic Overseas;
- (aa) Establish procedures for:
  - (bb) the receipt, retention and treatment of complaints received by High Arctic Overseas regarding accounting, internal accounting controls, or auditing matters;
  - (cc) the confidential, anonymous submission by employees of High Arctic Overseas of concerns regarding questionable accounting and auditing matters; and
  - (dd) the proportionate and independent investigation of any matters raised by employees of High Arctic Overseas, including the appropriate follow-up action (if any);
- (ee) Monitor changes to applicable laws, regulations and rules and industry standards and practices with respect to financial reporting;

### **Audit**

- (ff) Review with management and the auditors the audit plan for the coming year;
- (gg) Review with management and the auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- (hh) Separately interview management and the auditors regarding significant financial reporting issues during the fiscal period and the method of resolution;
- (ii) Review any problems experienced by the auditors in performing the audit, including any restrictions imposed by management or significant accounting issues in which there was a disagreement with management;
- (jj) Review annual and quarterly financial statements with management and the auditors (including disclosures under MD&A), in conjunction with the report of all significant variances between comparative reporting periods;
- (kk) Review the certification process under National Instrument 52-109 adopted by the CSA;
- (ll) Review and make recommendations as to the auditors' report to management and management's response and subsequent remedy of any identified weaknesses;

### ***Risk Management and Controls***

- (mm) Provide oversight in respect of risk management policies and practices, including the identification of major business risks and the processes and other steps taken to mitigate such risks;
- (nn) Review and make recommendations as to hedging strategies, policies, objectives, and controls;
- (oo) Review, not less than quarterly, a mark to market assessment of High Arctic Overseas' hedge positions and counter party credit risk and exposure;
- (pp) Review High Arctic Overseas' risk retention philosophy and resulting exposure to the Corporation;
- (qq) Review the adequacy of insurance coverage;
- (rr) Review loss prevention policies and programs in the context of competitive and operational considerations;
- (ss) Review and recommend for approval the annual operating and capital budgets of High Arctic Overseas and any amendments thereto;
- (tt) Annually review authority limits for capital expenditures;
- (uu) Review all pending litigation involving High Arctic Overseas and assess the prospective exposure to High Arctic Overseas;
- (vv) Obtain explanations of significant variances with comparative reporting periods;
- (ww) Ascertain compliance with covenants under loan agreements; and
- (xx) Review, not less than annually, High Arctic Overseas' cyber-security risk management programs and effectiveness of monitoring function.

### ***Other Duties and Responsibilities***

The responsibilities, practices and duties of the Committee outlined herein are not intended to be comprehensive. The Board may, from time to time, charge the Committee with the responsibility of reviewing other items of financial, control or risk management nature.

The Committee shall periodically report to the Board decisions taken in exercise of powers conferred herein and the results of reviews undertaken and any associated recommendations.

#### **5. Authority**

The Committee shall have all power and authority necessary or desirable to fully and effectively discharge its mandate hereunder and, in that connection and without limitation, the Committee may:

- (a) Investigate any corporate activity, in any area, that the Committee considers necessary or advisable, and, for such purposes and the performance of its other responsibilities, the Committee shall have unrestricted access to all personnel records of High Arctic Overseas, the auditors and all other advisors to High Arctic Overseas and, from time to time, may require the Chief Financial Officer to report to the Committee;
- (b) Make any recommendation to the Board, as it considers necessary or advisable, in respect of matters within its mandate, provided, however, that where the Committee intends to make any such recommendation, the recommendation shall first be presented to the Lead Director and, in respect of financial matters, to the auditor for comment before being communicated to the Board, unless the Committee concludes that such action would not be in the best interest of High Arctic Overseas and/or the shareholders; and

- (c) Engage and obtain the advice of outside advisors, if necessary, to properly discharge its functions, duties and responsibilities including, without limitation:
  - (i) to engage independent counsel and other advisors as it determines necessary to carry out its duties;
  - (ii) to set and pay the compensation for any advisor employed by the Committee; and
  - (iii) to communicate directly with the auditors.

## 6. Limitation

The foregoing is (i) subject to and without limitation of the requirement that in exercising their powers and discharging their duties the members of the Board act honestly and in good faith with a view to the best interests of the Corporation; and (ii) subject to and not in expansion of the requirement that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

While the Committee has the responsibilities and powers set forth herein, it is not the duty of the Committee to prepare financial statements, plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards ("IFRS") and applicable rules and regulations. These are the responsibilities of Management and the external auditor.

The Committee, the Chair of the Committee and any Committee members identified as having accounting or related financial expertise are members of the Board of Directors, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

Although the designation of a Committee member as having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out her or his duties on the Committee, such designation does not impose on such person any duties, obligations or liabilities that are greater than the duties, obligation and liabilities imposed on such person as a member of the Committee and the Board of Directors in the absence of such designation. Rather, the role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Corporation's financial information or public disclosure.

## SCHEDULE "B"

### BOARD OF DIRECTORS MANDATE

The Board of Directors (the **"Board"**) of High Arctic Overseas Holdings Corp. (the **"Corporation"**) is responsible under corporate law to supervise the management of the business and affairs of the Corporation and its subsidiaries (collectively, **"High Arctic Overseas"**). The Board has the statutory authority and obligation to protect and enhance the assets of High Arctic Overseas.

The principal mandate of the Board is to oversee the management of the business and affairs of High Arctic Overseas, and monitor the performance of management.

In keeping with generally accepted corporate governance practices and the recommendations of the Dey Committee Report to the Toronto Stock Exchange in respect of "Guidelines for Improved Corporate Governance in Canada", recommendations contained in National Policy 58-201 and recommendations and guidelines from the SEC and in connection with *the Sarbanes Oxley Act*, the Board assumes responsibility for the stewardship of High Arctic Overseas and, as part of the overall stewardship responsibility, explicitly assumes responsibility for the following:

#### **Independence**

The Board retains the responsibility for managing its own affairs including planning its composition, selecting its Chairman, appointing Board committees and determining directors' compensation. While it is appropriate to confer with the management on the selection of candidates to be nominated as members of the Board, the ultimate selection shall be determined by the existing independent members of the Board.

In that, the Board must develop and voice objective judgment on corporate affairs, independently of the management, practices promoting Board independence will be pursued. This includes constituting the Board with a majority of independent and unrelated directors. Certain tasks suited to independent judgments will be delegated to specialized committees of the Board that are comprised exclusively of outside directors and at least a majority of unrelated directors.

The Board will evaluate its own performance in a continuing effort to improve. For this purpose, the Board will establish criteria for Board and Board member performance, and pursue a self-evaluation process for evaluating both overall Board performance and contributions of individual directors.

#### **Leadership in Corporate Strategy**

The Board ultimately has the responsibility to oversee the development and approval of the mission of High Arctic Overseas, its goals and objectives, and the strategy by which these objectives will be reached. In guiding the strategic choices of High Arctic Overseas, the Board must understand the inherent prospects and risks of such strategic choices.

While the leadership for the strategic planning process comes from the management of High Arctic Overseas, the Board shall bring objectivity and a breadth of judgment to the strategic planning process and will ultimately approve the strategy developed by management as it evolves.

The Board is responsible for monitoring management's success in implementing the strategy and monitoring High Arctic Overseas' progress to achieving its goals; revising and altering direction in light of changing circumstances.

The Board has the responsibility to ensure congruence between the strategic plan and management's performance.

#### **Management of Risk**

The Board shall identify the principal risks of the business in which High Arctic Overseas is engaged, recognizing that business decisions require the incurrence of risk. The Board is responsible for providing a balance between risks incurred and the potential returns to shareholders of the Corporation. This requires that the Board ensure that



systems are in place to effectively monitor and manage risks with a view to the long-term viability of High Arctic Overseas and its assets, and conduct an annual review of the associated risks.

### **Oversight of Senior Officers**

As the Board functions, the Board must ensure the execution of plans and operations are of the highest caliber. The key to the effective discharge of this responsibility is succession planning, the approval of the appointment of the senior officers of the Corporation and the assessment of each senior officer's contribution to the achievement of the Corporation's strategy. In this respect, performance against objectives established by the Board is important, as is a formal process for determining the senior officers' compensation, in part, by using established criteria and objectives for measuring performance.

The Board understands that a culture of integrity in its officers and employees is important to the success of the company and its shareholders. The Board will set and review the Policies and Standards of the company to support a culture of integrity.

### **Shareholder Communications and Disclosure**

The Board is responsible to ensure that the Corporation has policies in place to ensure effective and timely communication and disclosure to the shareholders of the Corporation, other stakeholders and the public in general. This communication and disclosure policy must effectively and fairly present the operations of High Arctic Overseas to shareholders and should accommodate feedback from shareholders, which should be considered into future business decisions.

The Board has the responsibility for ensuring that the financial performance of High Arctic Overseas is reported to shareholders on a timely and regular basis and for ensuring that such financing results are reported fairly, in accordance with generally accepted accounting principles.

The Board has the responsibility for ensuring that procedures are in place to effect the timely reporting of any developments that have a significant and material impact on the value of shareholder assets.

The Board has the responsibility for reporting annually to shareholders on its stewardship for the preceding year.

### **Integrity of Corporate Control and Management Information Systems**

To effectively discharge its duties, the Board shall ensure that High Arctic Overseas has in place effective control and information systems so that it can track those criteria needed to monitor the implementation of the High Arctic Overseas' strategy.

Similarly, in reviewing and approving financial information, the Board shall ensure that High Arctic Overseas has an audit system, which can inform the Board of the integrity of the data and compliance of the financial information with generally accepted accounting principles.

The Board's management of the important areas of corporate conduct, such as the commitment of High Arctic Overseas' assets to different businesses or material acquisitions, shall also be supported by effective control and information systems.

### **Legal Requirements**

The Board is responsible for ensuring that routine legal requirements, documents, and records have been properly prepared, approved and maintained by High Arctic Overseas.

### **Board Delegation to Committees**

The Board can delegate specific responsibilities to committees of the Board in order to effectively manage the affairs of High Arctic Overseas.

**Limitation**

The foregoing is 1. subject to and without limitation of the requirement that in exercising their powers and discharging their duties the members of the Board act honestly and in good faith with a view to the best interests of the Corporation; and 2. subject to and not in expansion of the requirement that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

## SCHEDULE "C"

### SUMMARY OF SPINCO EQUITY INCENTIVE PLAN

As part of SpinCo's compensation program and the SpinCo Board has determined that it is advisable to put forward SpinCo Equity Incentive Plan. The principal features of the SpinCo Equity Incentive Plan (as used in this Schedule "C", the "**Plan**"), which would provide for the issuance of stock options (as used in this Schedule "C", "**Options**"), performance share units (as used in this Schedule "C", "**PSUs**"), restricted share units (as used in this Schedule "C", "**RSUs**") and deferred share units (as used in this Schedule "C", "**DSUs**", and together with Options, PSUs, and RSUs are collectively referred to as "**Grants**" and each individually a "**Grant**"), are described below. This summary of the Omnibus Plan is qualified in its entirety by reference to the full text of the Plan, a copy of which is attached as Schedule "A" to the Arrangement Agreement, attached as Appendix "B" to this Circular.

The Plan is a long-term incentive plan that permits the award of Grants to directors, officers and employees of, and consultants to, SpinCo. The purpose of the Plan is to promote share ownership of the eligible individuals to align the interests of such individuals with the interest of SpinCo Shareholders. The Plan streamlines the administration of long-term incentive grants to eligible individuals as all grants will be made under the Plan (whether Options, RSUs, DSUs, or PSUs) and will be subject to the rules and restrictions of that plan.

#### Limitations under the Plan

The aggregate number of SpinCo Common Shares that may be reserved for issuance at any time under the Plan, together with any SpinCo Common Shares reserved for issuance under any other security-based compensation plans of SpinCo, shall be equal to 10% of outstanding SpinCo Common Shares from time to time (on a non-diluted basis). Any SpinCo Common Shares underlying Options under the Plan that have been exercised, or disposed of or that have expired or been terminated for any reason (without being exercised), shall become available for subsequent issuance under the Plan. Any SpinCo Common Shares underlying DSUs, RSUs, or PSUs under the Plan that have been settled, or disposed of or that have expired or been terminated for any reason (without being settled), shall become available for subsequent issuance under the Plan. Accordingly, the Plan is a "rolling plan" and as a result, any and all increases in the number of outstanding SpinCo Common Shares will result in an increase to the number of Grants available for grant under the Plan.

In addition, any grant of Grants shall be subject to the following restrictions:

- (a) the aggregate number of SpinCo Common Shares reserved for issuance pursuant to Grants, together with awards under any other security-based compensation plan of SpinCo, granted to insiders (as a group) may not exceed 10% of the outstanding SpinCo Common Shares (on a non-diluted basis) at any point in time;
- (b) the aggregate number of SpinCo Common Shares reserved for issuance pursuant to Grants, together with awards under any other security-based compensation plan of SpinCo, granted to insiders (as a group) in any twelve (12) month period shall not exceed 10% of the outstanding SpinCo Common Shares (on a non-diluted basis) determined at the time of grant; and
- (c) the aggregate number of SpinCo Common Shares reserved for issuance pursuant to Grants, together with awards granted under any other security-based compensation plan of SpinCo, granted to any one person in any twelve (12) month period may not exceed 10% of the outstanding SpinCo Common Shares (on a non-diluted basis) determined at the time of grant, provided that if SpinCo is listed on the TSXV, this limit shall be 5% of the outstanding SpinCo Common Shares.

If SpinCo is listed on the TSXV, the following restrictions shall also apply:

- (d) the aggregate number of SpinCo Common Shares issuable pursuant to Grants, together with awards under any other security-based compensation plan of SpinCo, granted to any consultant in any twelve (12) month period shall not exceed 2% of the outstanding SpinCo Common Shares (on a non-diluted basis) determined at the time of grant; and
- (e) Investor relations service providers shall only be entitled to Options under the Plan and the aggregate number of SpinCo Common Shares issuable pursuant to Options under the Plan, together with Options

under any other security-based compensation plan of SpinCo, granted to all such persons in any twelve (12) month period shall not exceed 2% of the outstanding SpinCo Common Shares determined at the time of grant.

(f) if SpinCo issues Options to eligible charitable organizations, the aggregate number of SpinCo Common Shares issuable pursuant to such such Options must not at any time exceed 1% of the issued and outstanding SpinCo Common Shares, calculated at the time of grant.

Except as permitted by the Committee, and to the extent that certain rights may pass to a beneficiary or legal representative upon death of a participant by will or as required by applicable law, Grants are not assignable or transferable.

### **Description of Options issuable under the Plan**

All Options granted under the Plan will have an exercise price fixed by the Committee when the Option is granted. Such price shall not be less than the volume weighted average trading price per Share on the Stock Exchange for the five (5) consecutive trading days ("**VWAP**") ending on the last trading day preceding the date that the Option is granted.

If the SpinCo Common Shares are listed on the TSXV: (i) the exercise price of Options shall be determined in accordance with the policies of the TSXV; (ii) Options can be exercisable for a maximum of 10 years from the Grant Date; and (iii) SpinCo must obtain disinterested shareholder approval when decreasing the exercise price or extending the term of Options granted to insiders.

#### *Exercise of Options*

Participants may exercise vested Options by providing payment in full of the exercise price for the SpinCo Common Shares which are the subject of the exercise. Provided that the SpinCo Common Shares are listed on a stock exchange, and that SpinCo is in compliance with applicable stock exchange requirements, SpinCo may permit a participant to elect that SpinCo satisfy any obligations to the participant in respect of any vested Options exercised by the participant by issuing such number of SpinCo Common Shares that is equal in value to the difference between: (a) the VWAP of the SpinCo Common Shares prior to the date of exercise; and (b) the aggregate exercise price of the vested Options being exercised (the "**Net Share Exercise Right**"). If SpinCo is listed on the TSXV, the Net Share Exercise Right is not available to any Investor Relations Service Providers in accordance with the policies of the TSXV.

In addition, SpinCo may permit a broker-assisted cashless exercise whereby the participant elects to receive: (a) an amount in cash equal to the cash proceeds realized upon the sale in the capital markets of the SpinCo Common Shares underlying the vested Options by a securities dealer designated by SpinCo, less the aggregate exercise price, any applicable withholding taxes, and any transfer costs charged by the securities dealer to sell the SpinCo Common Shares; (b) an aggregate number of SpinCo Common Shares that is equal to the number of SpinCo Common Shares underlying the vested Options minus the number of SpinCo Common Shares sold in the capital markets by a securities dealer designated by SpinCo as required to realize cash proceeds equal to the aggregate exercise price, any applicable withholding taxes and any transfer costs charged by the securities dealer to sell the SpinCo Common Shares; or (c) a combination of (a) and (b).

### **Description of RSUs, PSUs and DSUs issuable under the Plan**

An RSU is a right to receive a Share issued from treasury upon settlement, subject to the terms of the Plan and the applicable award agreement, which generally becomes vested, if at all, following a period of continuous employment or engagement. If SpinCo is listed on the TSXV, RSUs are expected to typically vest as to one third on each of the first, second and third anniversaries of the date of grant unless otherwise determined by the Committee at the time of grant.

A PSU is a right to receive a Share issued from treasury upon settlement, subject to the terms of the Plan and the applicable award agreement, which generally becomes vested, if at all, subject to the attainment of performance criteria established by the Committee in its discretion at the time of grant. The vesting period and performance criteria for any PSUs granted will be determined at the time of the grant.

DSUs are the only type of share unit issuable under the Plan that may be issued to non-employee directors of SpinCo. A DSU is a right to receive a Share issued from treasury upon settlement, subject to the terms of the Plan and the applicable award agreement. The vesting period of any DSUs granted will be determined at the time of the grant and are expected to typically vest either as to one third on each of the first, second and third anniversaries of the date of grant or to cliff-vest on the third anniversary of the date of grant, provided that, vesting will typically accelerate on the date that the non-employee director ceases to be a director of SpinCo for any reason, including change of control, resignation, retirement, death or failure to obtain re-election as a director.

### **Settlement of RSUs, PSUs and DSUs**

Vested RSUs, PSUs and DSUs may be settled by a participant at any time prior to their expiry date by SpinCo issuing to the participant such number of SpinCo Common Shares that is equal to the number of vested RSUs, PSUs or DSUs (and related Dividend Equivalents, if any) being settled. Notwithstanding, SpinCo may, in its discretion, permit applicable participants to elect to receive an amount in cash (net of applicable withholding taxes) equal to all or a portion of the vested RSUs, PSUs or DSUs (and related dividend equivalents, if any) being settled by the participant multiplied by the VWAP prior to the applicable settlement date.

### *Dividend Equivalents*

On any date on which a cash dividend is paid on the SpinCo Common Shares, a Participant's Account will be credited with a dividend equivalent in the form of a number of RSUs, PSUs or DSUs (including fractional Share Units, computed to three digits) calculated by multiplying the amount of the dividend per Share by the aggregate number of RSUs, PSUs or DSUs that were credited to the Participant's Account as of the record date for payment of the dividend, and dividing by the Fair Market Value on the date on which the dividend is paid.

The "**Fair Market Value**" of a Common Share for the purposes of the Plan means, where the SpinCo Common Shares are listed on the TSX (or such other exchange on which the SpinCo Common Shares are then listed and posted for trading), the volume weighted average trading price of the SpinCo Common Shares on the TSX for the five trading days immediately preceding a particular date. If the SpinCo Common Shares are not listed on any stock exchange, the "Fair Market Value" of a Common Share on a particular date shall be determined by the Board in its sole discretion.

### **Expiry**

The expiry date of Grants granted pursuant to the Plan is set by the Committee and must not be later than ten (10) years from the date of grant. The Plan contains provisions that address expiring Grants during, or within nine (9) business days after, a self-imposed blackout period on trading securities of SpinCo. In such a case, the expiry date will be deemed to be extended to the tenth (10th) business day following the end of the blackout period.

### **Termination of Employment of Participant**

Except in cases of termination of employment without cause as detailed in the paragraph below, upon the termination of the employment of a Participant (as a result of the Participant ceasing to be actively employed by, or provide services as a consultant to SpinCo), any Grants standing to the credit of such Participant which have not become vested on or before the date of the Participant's termination (the "**Termination Date**"), shall immediately terminate and become null and void as of such date. For greater certainty, no Grants shall vest during any reasonable notice period.

Subject to any provisions to the contrary in the employment or consulting agreement of any particular Participant, upon the termination of employment without cause of such Participant, unless otherwise determined by the Board in its sole discretion, those Grants awarded to such Participant that have not yet become vested Grants, but would be eligible for vesting and issuance during the notice period specified in such Participant's employment or consulting agreement, shall vest on the Termination Date.

### **Death of Participant**

Where the Participant's Termination Date occurs as a result of the Participant's death, any Grants standing to the credit of such Participant shall continue to vest (and be paid out) in the normal course for a period of twelve (12)

months extending from the Participant's Termination Date. Any Grants awarded to such Participant which have not become vested on or before the date that is the first anniversary of the Participant's Termination Date shall terminate and become null and void as of such date.

### **Change of Control**

In the event of a Change of Control (as such term is defined in the Plan) or a determination by the Board that a Change of Control is expected to occur, the Board shall have the authority to take all necessary steps so as to ensure the preservation of the economic interests of the Participants in, and to prevent the dilution or enlargement of any Grants, including, without limitation, adjusting: (i) the number of SpinCo Common Shares issuable pursuant to the Grant Agreement; (ii) the securities into which the SpinCo Common Shares are changed or are convertible or exchangeable; (iii) any Options then outstanding; (iv) the Exercise Price, as appropriate in respect of such Options; and/or (v) with respect to the number of RSUs, PSUs and/or DSUs outstanding under the Plan, and any such adjustment shall be final, binding and conclusive for all purposes of the Plan.

### **Amendment, Suspension and Termination**

The Committee may, without notice and without shareholder approval, amend, modify, change, suspend or terminate the Plan or any Awards as it determines appropriate, provided, however, that no such amendment, modification, change, suspension or termination of the plan or any Awards may materially impair any outstanding rights of a participant without the consent of the participant, unless the Committee determines such adjustment is required or desirable in order to comply with any applicable securities laws or the policies of the Stock Exchange. Without limiting the generality of the foregoing, the Board may by resolution, without shareholder approval, at any time or from time to time, amend the Plan or award agreements for the purposes of:

- (i) changing the termination provisions of a Grant, provided that the change does not entail an extension beyond the original expiry date;
- (ii) determining the adjustment provisions pursuant to the Plan;
- (iii) altering, extending or accelerating the terms of vesting or the conditions to vesting applicable to any Grant;
- (iv) ensure that Grants awarded under the Plan will comply with any provisions respecting share units or other security based compensation arrangements in the Tax Act or other Applicable Law in force in any country or jurisdiction of which a Participant to whom a Share Unit has been granted may from time to time perform services or be resident;
- (v) make amendments of a procedural or "housekeeping" nature;
- (vi) amending or modifying the mechanics of exercising an entitlement pursuant to a Grant; and
- (vii) suspending or terminating the Plan.

**APPENDIX "F"**  
**Balance Sheet of SpinCo**

# **HIGH ARCTIC OVERSEAS HOLDINGS CORP.**

## **FINANCIAL STATEMENT**

**AS AT THE DATE OF INCORPORATION ON APRIL 1, 2024**





KPMG LLP  
205 5th Avenue SW  
Suite 3100  
Calgary AB T2P 4B9  
Tel 403-691-8000  
Fax 403-691-8008  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of High Arctic Overseas Holdings Corp.

### ***Opinion***

We have audited the financial statements of High Arctic Overseas Holdings Corp. (the Entity), which comprise:

- the statement of financial position as at the date of incorporation on April 1, 2024
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at the date of incorporation on April 1, 2024 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statement***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statement***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants

Calgary, Canada  
May 9, 2024

# HIGH ARCTIC OVERSEAS HOLDINGS CORP.

## STATEMENT OF FINANCIAL POSITION

	As at the date of incorporatio n on April 1, 2024
<i>(Canadian Dollars)</i>	
<b>Assets</b>	
Current assets	
Cash	1
	1
Total assets	1
<b>Shareholder's Equity</b>	
Share capital (Note 4)	1
	1
Total shareholder's equity	1

*The accompanying notes are an integral part of these financial statement.*

Approved on behalf of the Board,

(Signed) "Mike Maguire"

Mike Maguire

Director

# NOTES TO THE HIGH ARCTIC OVERSEAS HOLDINGS CORP. FINANCIAL STATEMENTS

## 1. Nature of business

High Arctic Overseas Holdings Corp. ("SpinCo" or the "Corporation") was incorporated under the Business Corporations Act (Alberta) on April 1, 2024. The Corporation is a wholly owned subsidiary of High Arctic Energy Services Inc. ("High Arctic").

The Corporation has not yet commenced commercial operations. SpinCo was incorporated for the sole purpose of participating in the proposed plan of arrangement of High Arctic (the "Arrangement"). Under the Arrangement, it is proposed that, among other things, (i) High Arctic will reduce its stated capital account for the purpose of permitting a special distribution to High Arctic's shareholders of up to \$0.76 per High Arctic common share; (ii) High Arctic will transfer all of its shares in High Arctic Energy Services Cyprus Limited, a wholly-owned subsidiary of High Arctic, which holds High Arctic's entire Papua New Guinea ("PNG") business, to SpinCo, and (iii) each common share of High Arctic will be exchanged for 0.25 new common share of High Arctic and 0.25 common share of SpinCo. Upon completion of the Arrangement, all of SpinCo's Common Shares will be owned by High Arctic's current shareholders on a pro rata basis, and High Arctic's PNG business will be owned by SpinCo.

The Corporation's principal office is located at Suite 2350 330 5<sup>th</sup> Avenue SW Calgary Alberta and the registered office of SpinCo is Suite 1000 250 2<sup>nd</sup> Street SW Calgary Alberta.

## 2. Basis of presentation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and were authorized for issue by the Board of Directors of SpinCo on May 9, 2024. The financial statements are presented in Canadian dollars, which is the Corporation's functional currency. As there have been no operations from the date of incorporation to May 9, 2024, a statement of income and comprehensive income, cash flows and changes in shareholder's equity have not been provided.

### **3. Material accounting policies**

a) Cash

Cash is comprised of cash on hand.

b) Share capital

Costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of deferred income taxes.

### **4. Share capital**

The authorized share capital of the Corporation includes an unlimited number of common shares and an unlimited number of preferred shares. The common shares entitle the holders to one vote at meetings of shareholders. The preferred shares are issuable in series and have such rights, privileges, restrictions and conditions as the Board of Directors may determine from time to time.

On the date of incorporation on April 1, 2024, the Corporation issued one common share to High Arctic at \$1 per share.

**APPENDIX "G"**  
**Financial Statements and MD&A of HAES Cyprus**

# **HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
December 31, 2023, 2022 and 2021**





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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of High Arctic Energy Services Cyprus Limited

### *Opinion*

We have audited the consolidated financial statements of High Arctic Energy Services Cyprus Limited (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2023, December 31, 2022 and January 1, 2022
- the consolidated statements of comprehensive loss for the years ended December 31, 2023, December 31, 2022 and December 31, 2021
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2023 and December 31, 2022
- the consolidated statements of cash flows for the years ended December 31, 2023, December 31, 2022 and December 31, 2021
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023, December 31, 2022 and January 1, 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023, December 31, 2022 and December 31, 2021 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

Chartered Professional Accountants

Calgary, Canada

May 9, 2024

## HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of United States Dollars)	As at December 31, 2023	As at December 31, 2022	As at January 1, 2022
<b>Assets</b>			
Current assets			
Cash and cash equivalents	10,958	3,846	1,886
Accounts receivable (Note 4)	10,990	6,544	6,986
Inventory (Note 5)	7,009	6,704	7,196
Prepaid expenses and other assets	420	455	221
Due from related party (Note 16)	210	-	27
Income tax receivable (Note 13(e))	503	356	2,371
	30,090	17,905	18,687
Non-current assets			
Property and equipment (Note 6)	12,371	32,207	39,623
Right of use assets (Note 7(a))	913	458	152
Loan to related party (Note 16)	-	-	10,000
<b>Total assets</b>	<b>43,374</b>	<b>50,570</b>	<b>68,462</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities (Note 8)	9,007	5,004	5,560
Due to related party (Note 16)	-	329	-
Current portion of lease liabilities (Note 7(b))	466	231	161
Income tax payable (Note 13)	282	168	524
	9,755	5,732	6,245
Non-current liabilities			
Lease liabilities (Note 7(b))	507	232	-
Deferred tax liabilities (Note 13(b))	-	2,872	4,772
<b>Total liabilities</b>	<b>10,262</b>	<b>8,836</b>	<b>11,017</b>
<b>Shareholder's Equity</b>			
Share capital (Note 9)	5	5	5
Accumulated and other comprehensive income	34	33	36
Retained earnings	33,073	41,696	57,404
	33,112	41,734	57,445
<b>Total liabilities and shareholder's equity</b>	<b>43,374</b>	<b>50,570</b>	<b>68,462</b>

The accompanying notes are an integral part of these consolidated financial statements.

Commitments and contingencies (Note 18)

Approved on behalf of the Board,

(Signed) [“Yianna Alexandrou”]  
[Yianna Alexandrou]  
Director

(Signed) [“Christakis Georgiou”]  
[Christakis Georgiou]  
Director

## HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(thousands of United States Dollars)	Years ended December 31		
	2023	2022	2021
Revenue (Note 10)	43,380	29,929	11,750
Oilfield services expenses (Note 11(a))	28,964	24,331	8,020
General and administrative expenses (Note 11(b))	3,619	3,657	2,420
Depreciation and amortization expenses (Notes 6 and 7)	6,222	7,694	8,343
Operating income (loss)	4,575	(5,753)	(7,033)
Interest income (Note 16)	-	586	389
Management fee income (Note 16)	557	718	665
Bank fees and finance expense (Note 11(c))	(243)	(107)	(20)
Foreign exchange loss	(143)	(10)	(10)
Gain (loss) on sale of property and equipment (Note 6)	(13)	416	39
Asset impairment loss (Note 6)	(15,200)	-	-
Loss before income tax	(10,467)	(4,150)	(5,970)
Income tax expense (Note 13)	(1,028)	(2,708)	(675)
Deferred income tax recovery (Note 13)	2,872	1,900	1,624
Income tax recovery (expense)	1,844	(808)	949
Net loss	(8,623)	(4,958)	(5,021)

	Years ended December 31		
	2023	2022	2021
Net loss	(8,623)	(4,958)	(5,021)
Other comprehensive income:			
Items that may be reclassified subsequently to net income (loss):			
Foreign currency translation gain (loss) for foreign operations	1	(3)	3
Comprehensive loss for the year	(8,622)	(4,961)	(5,018)

The accompanying notes are an integral part of these consolidated financial statements.

**HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**

(thousands of United States Dollars)	Share capital	Accumulated other comprehensive income	Retained earnings	Total Shareholder's equity
Balance, January 1, 2022	5	36	57,404	57,445
Dividends paid (Note 16)	-	-	(10,750)	(10,750)
Other comprehensive loss – foreign currency translation loss	-	(3)	-	(3)
Net loss for the year	-	-	(4,958)	(4,958)
Balance, December 31, 2022	5	33	41,696	41,734
Other comprehensive income – foreign currency translation gain	-	1	-	1
Net loss for the year	-	-	(8,623)	(8,623)
Balance, December 31, 2023	5	34	33,073	33,112

## HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of United States Dollars)	Years ended December 31		
	2023	2022	2021
<b>Cash flows from operating activities:</b>			
Net loss	(8,623)	(4,958)	(5,021)
Adjustments for:			
Depreciation and amortization expenses	6,222	7,694	8,343
Deferred income tax recovery	(2,872)	(1,900)	(1,624)
Unrealized foreign exchange loss	82	4	15
Non-cash finance expense	251	88	8
Asset impairment loss	15,200	-	-
Loss (gain) on sale of property and equipment	13	(416)	(39)
Funds from operating activities	10,273	512	1,682
Change in non-cash working capital (Note 12)	(1,367)	2,120	(3,580)
Net cash from (used in) operating activities	8,906	2,632	(1,898)
<b>Cash flows from investing activities:</b>			
Property and equipment expenditures	(1,080)	(401)	(1,870)
Proceeds from asset sales, net of costs	-	725	45
Net cash from (used in) investing activities	(1,080)	324	(1,825)
<b>Cash flows from financing activities:</b>			
Dividend payment	-	(750)	(4,675)
Lease obligation payments	(714)	(243)	(292)
Net cash used in financing activities	(714)	(993)	(4,967)
Effect of foreign exchange rate changes	-	(3)	12
Change in cash and cash equivalents	7,112	1,960	(8,678)
Cash and cash equivalents, beginning of year	3,846	1,886	10,564
Cash and cash equivalents, end of year	10,958	3,846	1,886
Supplementary cash flow disclosure			
Interest paid	-	-	-
Income and withholding taxes paid	1,114	3,364	151

The accompanying notes are an integral part of these consolidated financial statements.

# NOTES TO THE HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Nature of business

High Arctic Energy Services Cyprus Limited ("HAES Cyprus" or the "Corporation") is incorporated under the laws of Cyprus on 04 November 2006 and is a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. HAES Cyprus is engaged in contract drilling, equipment rentals and other oilfield services to the oil and natural gas industry in Papua New Guinea ("PNG") through a subsidiary in Singapore, two subsidiaries in PNG and a subsidiary in Australia. The Corporation's registered office address is located at 16 Kyriakou Matsi Street, Eagle House, 10th Floor, Agioi Omologites, 1082 Nicosia, Cyprus.

The Corporation is a wholly owned subsidiary of High Arctic Energy Services Inc. ("HAES Inc.") which is a corporation incorporated in Canada and listed on the Toronto Stock Exchange.

The following table lists the Corporation's principal subsidiaries, the jurisdiction of formation or incorporation of such subsidiaries and the percentage of share owned, directly or indirectly, by the Corporation as at December 31, 2023:

Name of Subsidiary	Jurisdiction of formation or incorporation	Percentage ownership of shares beneficially owned or controlled (in) directly by the Corporation
High Arctic Energy Services PNG Limited	PNG	100%
PNG Industry Manpower Solutions Limited	PNG	100%
High Arctic Energy Services (Singapore) PTE Ltd.	Singapore	100%
High Arctic Energy Services Australia PTY Ltd.	Australia	100%

## 2. Basis of presentation

### (a) Statement of compliance and approval

These consolidated financial statements ("Financial Statements") have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board. These Financial Statements were authorized for issuance by the Corporation's Board of Directors on May 9, 2024.

### Basis of preparation

These Financial Statements have been prepared on a going concern basis using the historical cost convention except as disclosed in Note 3.

### (b) Functional and presentation currency

The financial statements are presented in United States Dollars "USD" which is also the functional currency of the Corporation.

The USD is the functional currency of the Corporation's subsidiaries, with the exception of one subsidiary utilizing the Australian dollar as its functional currency.

All values are rounded to the nearest thousand dollars (\$000), except where otherwise indicated.

### (c) Judgments, estimates and assumptions

The preparation of the Corporation's Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities as at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The accounting policies and practices that involve the use of estimates and judgements that have a significant impact on the Corporation's financial results



include expected credit loss ("ECL"), functional currency, identification of cash generating units ("CGUs"), impairment of property and equipment, inventory obsolescence provision, depreciation and deferred income taxes.

*Critical and other significant accounting judgements and estimates:*

Significant judgements and estimates are used in the application of accounting policies that have been identified as being complex and involving subjective judgements and assessments. They include:

i) *ECL*

The Corporation estimates the amount of ECL for trade receivables with no financing component using a provision matrix. The provision matrix is based on historical loss experience and is adjusted for forward looking estimates based on current and future economic conditions using internal and externally sourced data. Judgement is required when applying this information to the ECL and any adjustments as a result of this new information.

The Corporation uses the simplified approach of the ECL model for trade receivables with no significant financing component which requires measuring the loss allowance at an amount equal to the lifetime ECL at initial recognition and throughout its life.

ii) *Functional currency*

The determination of functional currency is based on the primary economic environment (including monetary policy) in which an entity operates. The functional currency of an entity reflects the underlying transactions, events and conditions that are relevant to the entity.

Factors that the Corporation considers when determining the functional currency of its subsidiaries include:

- (a) the currency that the delivery of goods and services are contracted in,
- (b) the currency used to conduct business in the region,
- (c) the currency that mainly influences labour, material, and other costs of providing goods or services, and
- (d) the currency in which receipts from operating activities are usually retained in.

When the indicators are mixed and the functional currency of an entity is not obvious, management uses its judgement to determine the functional currency that most appropriately represents the economic effects of the underlying transactions, events and conditions. Judgement was applied in determining the functional currency of the operations in PNG to be USD due to a history of drilling services contracts being negotiated and settled in USD, as well as most of the expenses quoted and paid in USD.

iii) *Identification of CGUs and impairment of property and equipment*

Property and equipment are tested for impairment when events and or changes in circumstances indicate that the carrying amount may not be recoverable which involves both judgement and estimation. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, defined as CGUs.

The classification of assets and allocation of corporate assets in CGUs requires significant judgement and interpretation. Further, the factors considered in CGU classification include the integration between assets, shared infrastructures, the existence of common sales points, geography and the way Management monitors and makes decisions about its operations. As such, the determination of a CGU involves considerable judgement and could have a significant impact on impairment losses and reversals.

The assessment of impairment or impairment reversal indicators is based on significant judgment regarding whether there are internal and external factors that would indicate that a cash generating unit, and specifically the non-financial assets within the cash generating unit, either are impaired or are no longer impaired. These factors include revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA") forecasts, expected industry activity levels, commodity price developments and market capitalization.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant CGU). Estimates of revenue and EBITDA forecasts used in the evaluation of impairment of assets are made using management's current operating forecasts, expected utilization, rates and costs of

available equipment (margin), terminal values and discount rates. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its expected recoverable amount.

iv) *Inventory obsolescence provision*

The Corporation measures inventories at the lower of the cost and net realizable value. The cost of inventories may not be recoverable if inventories are damaged or can no longer be used in the field and therefore obsolete. Judgement is required when determining which inventory requires a provision for obsolescence.

The Corporation inspects inventory throughout the year and adjusts provisions for obsolete inventory each reporting period. An inventory that is identified as damaged or obsolete is eventually scrapped and removed from the inventory listing.

v) *Depreciation*

Depreciation of the Corporation's property and equipment incorporates estimates of useful lives, salvage values and depreciation methodology that is estimated to best reflect usage. Equipment under construction is not depreciated until it is available for use. All equipment is depreciated based on the straight-line method over the asset's useful life in years. Estimate details are presented in Note 3.

vi) *Deferred income taxes*

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. The Corporation's calculation of income taxes involves many complex factors as well as the Corporation's interpretation of relevant tax legislation and regulations and estimations of future taxable profits. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the existing estimated temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are increased or reduced depending on the probability that the related tax benefit will be realized in the future.

*Geo-political, economic and environmental developments and impact on estimation uncertainty*

The conflict between Russia and Ukraine, which began in early 2022, has created significant political uncertainty globally. The war has contributed to global oil and gas price volatility, making it even more challenging for companies operating in the industry to accurately forecast future trends and plan accordingly. The imposition of international sanctions on Russia has created additional political uncertainty and tension. The ongoing conflict has also created challenges for energy demand in Europe, as the region has relied heavily on energy imports from Russia in the past. The uncertainty created by the continuation of the Russia-Ukraine war has far-reaching consequences for the global oil and gas industry and continues to create uncertainty on prices and future investments.

In 2022, inflation emerged as a major challenge for economies worldwide, leading to a significant increase in prices and reducing purchasing power. This uncertainty in the marketplace created a host of difficulties for consumers, businesses, and governments. In response to inflation, central banks around the world implemented monetary policy measures aimed at controlling inflation and maintaining price stability. Most central banks increased interest rates in 2022 aimed at slowing the rate of inflation, which made borrowing more expensive. The impact of inflation on the economy has been felt by all participants, as rising prices over the past two years have made it more difficult to afford goods and services, leading to a decrease in real income. The uncertainty created by inflation has also made it more challenging for businesses to make long-term plans and investments, and for consumers to budget effectively. Inflation continues to create significant challenges for economies worldwide, highlighting the need for policymakers to closely monitor their economies and implement measures aimed at maintaining price stability. Toward the end of 2023 and into 2024 the effects of inflation have abated to a degree, and some economies have slowed and entered technical recessions. It is expected that the impacts of inflation will remain a key concern for economies worldwide and policymakers into the future.

Environmental, Social, and Governance ("ESG") refers to a set of non-financial factors that businesses consider in their operations and investments. ESG has gained significant importance to investors and other stakeholders in recent years, especially in the extractive energy industries, due to the carbon-intensive nature of activities and products. Companies are facing increased pressure from stakeholders to reduce their carbon footprint, improve their environmental performance, and promote good governance. ESG is also attracting the attention of lawmakers, as governments across the world implement legislation aimed at reducing carbon emissions. In the coming years, it is expected that ESG will play an increasingly important role and companies that fail to integrate ESG considerations into their operations and investments will face significant challenges. The global focus to address climate change has created a rotation of investment capital away from the extractive energy industries in certain markets with the potential to increase HAES Cyprus's cost of capital and reduce access to growth funding.

### 3. Material accounting policies

#### (a) Basis of consolidation

The Financial Statements include the accounts of HAES Cyprus and its subsidiaries. Intercompany balances and transactions, including unrealized gains or losses between subsidiaries are eliminated upon consolidation. Subsidiaries are entities controlled by the Corporation. Control exists when HAES Cyprus has the ability to govern the financial and operating policies of an entity to enable the receipt of the benefits from its activities. In assessing control, potential voting rights currently exercisable are considered.

The financial statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases.

#### (b) Business combinations

Acquisitions of subsidiaries and assets that meet the definition of a business under IFRS are accounted for using the acquisition method. The consideration paid for each acquisition is measured at the date of exchange as the aggregate of the fair value of assets given up, equity instruments issued by the Corporation and liabilities assumed. Any contingent consideration payable is also measured at fair value. Contingent consideration payable that is classified as equity is not re-measured and settlement is accounted for as equity. Otherwise, substantive changes in the fair value of contingent consideration payable is recognized in profit and loss.

The identifiable assets acquired and liabilities assumed are recognized at their fair value except for deferred income taxes which are measured in accordance with their applicable IFRS. Any shortfall of the fair value of the identifiable net assets below the consideration paid is recognized as goodwill and any surplus of the fair value of the identifiable net assets relative to the consideration paid is recorded as gain on acquisition. Transaction costs associated with an acquisition, other than those relating to the issuance of debt and equity instruments are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Corporation reports preliminary amounts for the items for which the accounting is incomplete. Those preliminary amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that if known, would have materially affected the amounts recognized as of that date. The measurement period can be up to a maximum of one year and is the period from the date of acquisition to the date the Corporation obtains complete information about facts and circumstances that existed as of the acquisition date.

#### (c) Foreign currency

##### i. *Functional currency:*

Items included in the financial statements of each subsidiary of the Corporation are measured using their functional currencies, as dictated by their operating environment.

##### ii. *Foreign operations:*

The financial statements of subsidiaries that have a functional currency different from that of the Corporation ("foreign operations") are translated into USD as follows:

- assets and liabilities – at the closing rate at the date of the statement of financial position, and
- income and expenses – at the rate on the date of the transaction and/or the average rate during the period (where it approximates the rate at the date of the transaction).

All changes resulting from applying the closing rate to the assets and liabilities of foreign operations are recognized as gains or losses as part of other comprehensive income.

##### iii. *Transactions and balances:*

Transactions that take place within an entity that are denominated in a different currency are translated into that entity's functional currency using the exchange rates prevailing at the date the transactions take place. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency, are recognized in the consolidated statement of loss and comprehensive loss as foreign exchange gains or losses.

#### (d) Joint arrangements

When joint arrangements are entered, the Corporation determines whether it constitutes a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting, with income recorded in earnings (loss). Joint operations are recorded using proportionate consolidation.

(e) Revenue recognition

Revenue is recognized from a variety of sources. In general, revenue is measured based on the consideration specified in a contract with a customer based upon an agreed transaction price. The Corporation's revenue is generated from short-term or spot market contracts and long-term arrangements. As referenced in Note 14 regarding economic dependence, large customers often have contract durations greater than one year.

Long-term contracts are those with a term greater than one year. Revenue from the rendering of services is recognized as the Corporation satisfies its performance obligations, which is generally over time, as the Corporation provides its services on a per billable day basis.

Contract drilling services include contracts for individual drilling rig packages that include crews and contracts for specialist drilling related services.

Revenue is recognized over time from spud to rig release on a daily basis, using day rates based on contract specified amounts, and may include fixed fee or time-based compensation for the initial location of the drilling rig on the well site and its removal after release.

Revenue from well completion and production services including well workover is typically recognized based on daily or hourly rates as stipulated in the contracts with the customer.

Revenue for oilfield equipment rentals, including mats, is recognized using daily or monthly rates determined within the contracts.

A portion of the Corporation's revenue is lease revenue and not within the scope of IFRS 15 – "Revenue from Contracts with Customers", as such portions of revenue received represent the customers' ability to direct the use of an asset belonging to the Corporation. The Corporation has applied judgement to determine the amount of revenue that relates to lease revenue when lease rates were not specifically identified.

The Corporation recognizes the incremental costs of obtaining a contract as an expense when incurred if the related contract is one year or less.

The Corporation's revenue transactions do not contain significant financing components and the Corporation does not adjust transaction prices for the effects of a significant financing component when the period between the transfer of the promised service to the customer and the payment by the customer is less than one year. The Corporation does not disclose information related to performance obligations that have an original duration of one year or less.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(g) Financial instruments

Financial assets and liabilities are classified and measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit and loss ("FVTPL"), depending on the nature of the instrument. The classification is generally based on the contractual cash flow characteristics of the asset or liability. Financial assets held to collect principal and interest cash flows on specified dates are measured at amortized cost.

Investments in share equity of other third parties are initially recognized at fair value and classified as FVTPL or FVTOCI. If designated as FVTOCI, all changes in fair value are recorded in Other comprehensive income ("OCI"). Upon disposal of such investment, the cumulative OCI recorded is reclassified to retained earnings. Dividends from such investments are recognized in profit or loss as other income when the Corporation's right to receive payments is established.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The fair value hierarchy establishes three levels to classify the inputs for valuation techniques used to measure fair value as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means; and
- Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives highest priority to level 1 inputs and lowest priority to level 3 inputs. The Corporation has level 1 inputs, such as cash and cash equivalents, and level 2 inputs such as accounts receivable and accounts payable. The Corporation has no level 3 inputs.

The following table provides a summary of the classification and measurement basis applicable for the Corporation's non-derivative financial instruments.

<b>Instrument</b>	<b>Initial measurement</b>	<b>Subsequent measurement</b>
Financial assets		
Cash (and equivalents if applicable)	Fair value	Amortized cost <sup>(1)</sup>
Accounts receivable	Fair value	Amortized cost <sup>(2)</sup>
Financial liabilities <sup>(3)</sup>		
Accounts payable and accrued liabilities	Fair value	Amortized cost <sup>(1)</sup>

(1) Amortized cost using an effective interest rate.

(2) Upon initial recognition of a non-derivative financial asset, a loss allowance is recorded for ECL. Loss allowances for accounts receivable are measured based on lifetime ECL that incorporates historical loss information and is adjusted for current economic and credit conditions. Losses are recorded as a charge in earnings (loss) as part of general and administrative expenses.

(3) All financial liabilities are recognized initially at fair value and loans and borrowings are recorded net of directly attributable transaction costs.

HAES Cyprus currently does not have any derivative financial instruments.

#### *(h) Property and equipment*

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits through increased capability or performance associated with the item will flow to the Corporation, and the cost can be measured reliably. Repair and maintenance costs are charged to earnings (loss) during the period in which they are incurred.

Gains and losses on disposal of property and equipment are the result of the difference between proceeds obtained compared to the carrying amount of the asset disposed of and are included as part of gains and losses on sale of property and equipment in earnings (loss).

Depreciation is calculated on the depreciable amount which is the carrying cost of an asset less its salvage value and recognized in earnings (loss) over the estimated useful life of the asset. The Corporation allocates the amount initially recognized in respect of an item of property and equipment to its significant components and depreciates separately each such component. The calculation of depreciation includes assumptions related to useful lives and residual values and is reviewed annually and adjusted if appropriate, on a prospective basis. The assumptions are based on experience with similar assets and are subject to change as new information becomes available.

Property and equipment are depreciated as follows:

Asset type	Expected life	Salvage value	Basis of depreciation
<u>Oilfield equipment:</u>			
Drilling rigs	5-15 years	Up to 10%	Straight line
Service rigs	5-20 years	Up to 10%	Straight line
Support and shop	7-10 years	Up to 5%	Straight line
Drilling support equipment	7-10 years	Up to 5%	Straight line
Hydraulic workover	7-10 years	Up to 5%	Straight line
Rentals and matting	5-10 years	Up to 5%	Straight line
Light vehicles	5-10 years	Up to 5%	Straight line
Heavy trucks	7-10 years	Up to 5%	Straight line
Buildings	20-25 years	Up to 10%	Straight line
Office equipment and computer hardware	3-5 years	Up to 5%	Straight line
Computer software	3-5 years	Nil	Straight line
<u>Right of use assets:</u>			
Real estate	1-12 years	Nil	Straight line

(i) Inventory

Inventory consists primarily of operating supplies and spare parts not held for sale and are valued at the lower of average cost and net realizable value. Inventory is charged to oilfield services expense as items are consumed at the weighted average cost of the item.

Net realizable value is the estimated selling price less estimated selling costs. A regular review is undertaken to determine the extent of any obsolescence for which a provision is required.

(j) Impairment of assets

- Impairment of financial assets  
The Corporation's accounts receivable is recorded net of ECL, using the simplified approach in estimating the lifetime ECL, taking into consideration historical industry default rates as well as credit ratings and the current financial condition of specific customers.
- Impairment of non-financial assets  
The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets called CGUs and judgement is required to aggregate assets into their appropriate CGU. If indicators exist, impairment is recognized for the amount by which the CGUs carrying amount exceeds its recoverable amount. The recoverable amount for a CGU is determined as the higher of its fair value less costs of disposal, and its value in use.

Recoverable amounts are typically calculated using a discounted cash flow model. Value in use calculations estimate future cash flows, discounted to their present value, using a before-tax discount rate reflecting current market conditions specific to the risk inherent in the assets in the CGU. If the carrying amount of the CGU exceeds its recoverable amount, an impairment loss is charged to earnings (loss) such that the recorded value of the CGU is no greater than its recoverable amount.

A previously recognized impairment loss is required to be reversed if there has been a change in circumstances and/or estimates used to determine the CGU's recoverable amount. If the recoverable amount has increased since the time that the impairment loss was recorded, the carrying amount of the CGU is increased, but only up to its recoverable amount. Further, the amount of impairment reversal cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the CGU while impaired. Such impairment reversal is recognized in the consolidated statements of loss and comprehensive loss.

(k) Bonus plan compensation

The Corporation recognizes a liability and an expense for bonuses expected to be paid to employees based on various formulae that take into consideration operating earnings and other factors attributable to the financial and operational performance of the Corporation. The Corporation recognizes a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

(l) Share capital

Incremental costs directly attributable to the issuance of shares are recognized as a reduction from equity.

(m) Dividends

Dividends on common shares, if declared, are recognized in the Corporation's Financial Statements in the period in which the dividends are approved by the Board of Directors.

(n) Provisions

Provisions for legal claims and other obligations, where applicable, are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

The Corporation is involved in legal claims through the normal course of operations, and these are recorded and/or disclosed as any other provision. The Corporation believes that any liabilities that may arise from such matters to the extent not provided for, are not likely to have a material effect on the Financial Statements.

(o) Income tax

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in earnings (loss) except to the extent that it relates to the items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted at the reporting date in the jurisdictions where the Corporation operates.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Corporation determines its operating segments based on internal information regularly reviewed by the Corporation's chief operating decision makers to allocate resources and assess performance. The Corporation has determined that it has three operating segments; namely, Drilling services, Ancillary services and Production services, supported by a Corporate segment each of which has been presented as a reportable segment.

(q) Leases

At the inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation considers whether it has the right to substantially all the economic benefits from the use of the identified asset, and the right to direct the use of the asset.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The lease payments included in the present value calculation include fixed payments (and in substance fixed payments); variable lease payments that depend on an index or rate; amounts expected to be payable under a residual value guarantee; the exercise price of purchase options if the lessee is reasonably certain to exercise that option; and early termination penalties.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation recognizes the lease payments associated with short-term leases of less than a one-year duration as an expense on a straight-line basis over the lease term.

(r) Future accounting policy changes

In October 2022, the International Accounting Standards Board amended IAS 1 Presentation of Financial Statements to address the classification of liabilities with covenants as current or non-current in the Statements of Financial Position. The amendment is applicable to periods beginning on or after January 1, 2024. The Corporation does not expect that this amendment will have a significant impact on its consolidated financial statements.

#### 4. Accounts receivable

The aging and ECL associated with accounts receivable was as follows:

(thousands of United States Dollars)	As at Dec 31, 2023	As at Dec 31, 2022	As at Jan 1, 2022
Less than 31 days	3,856	1,940	3,519
31 days to 60 days	4,754	1,615	2,507
61 days to 90 days	1,908	1,434	1,004
Greater than 90 days	488	1,563	1
Expected credit loss	(16)	(8)	(45)
	10,990	6,544	6,986

The Corporation's accounts receivable is denominated in the following currencies:

(thousands of United States Dollars)	As at Dec 31, 2023	As at Dec 31, 2022	As at Jan 1, 2022
PNG Kina ("PGK")	1,280	4,051	5,492
US dollars ("USD")	9,710	2,493	1,494
	10,990	6,544	6,986

HAES Cyprus determined the ECL provision percentages used in the provision matrix based on historical credit loss experience as well as historical global default rates for investment grade and speculative grade companies as published by Standard and Poor's. Further, HAES Cyprus aggregated its accounts receivable into groups that share similar credit risk characteristics, taking into consideration drivers for each group's credit risk. The ECL also incorporates forward-looking information.



The details of this approach as at December 31, 2023 was as follows:

	Less than 31				
(thousands of USD)	days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	3,798	4,697	1,908	409	10,812
Non-investment grade receivables	58	57	-	79	194
Total receivables	3,856	4,754	1,908	488	11,006
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>2.00</i>	<i>4.00</i>	
ECL provision – investment grade	(2)	(3)	(2)	(1)	(8)
ECL provision – non-investment grade	-	-	-	(3)	(3)
Specifically provided for amounts	-	-	-	(5)	(5)
Total provision for ECL	(2)	(3)	(2)	(9)	(16)

The details of this approach as at December 31, 2022 was as follows:

	Less than 31				
(thousands of USD)	days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	1,207	1,606	1,434	1,560	5,807
Non-investment grade receivables	733	9	-	3	745
Total receivables	1,940	1,615	1,434	1,563	6,552
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>5.00</i>	<i>10.00</i>	
ECL provision – investment grade	-	(1)	(1)	(4)	(6)
ECL provision – non-investment grade	(2)	-	-	-	(2)
Total provision for ECL	(2)	(1)	(1)	(4)	(8)

The details of this approach as at January 1, 2022 was as follows:

	Less than 31				
(thousands of USD)	days	31- 60 days	61 – 90 days	Over 90 days	Total
Investment grade receivables	2,179	2,507	1,004	1	5,691
Non-investment grade receivables	1,340	-	-	-	1,340
Total receivables	3,519	2,507	1,004	1	7,031
<i>ECL for investment grade (%)</i>	<i>0.04</i>	<i>0.06</i>	<i>0.10</i>	<i>0.30</i>	
<i>ECL for non-investment grade (%)</i>	<i>0.25</i>	<i>0.75</i>	<i>5.00</i>	<i>10.00</i>	
ECL provision – investment grade	(1)	(2)	(1)	-	(4)
ECL provision – non-investment grade	(3)	-	-	-	(3)
Specifically provided for amounts	-	-	(38)	-	(38)
Total provision for ECL	(4)	(2)	(39)	-	(45)

## 5. Inventory

As at December 31, 2023, the Corporation had inventory of \$7,009 (December 31, 2022 - \$6,704; January 1, 2022 - \$7,196), which is primarily comprised of parts and materials related to maintenance, recertification and refurbishment of rigs and rig-related equipment in the Corporation's drilling segment. In 2023, consumed parts and materials for equipment, which are included in oilfield services expense, amounted to \$884 (2022 - \$190; 2021 - \$188). In 2022, the Corporation completed inventory counts and obsolescence reviews of its inventory located at all locations throughout PNG which led to an inventory adjustment of \$3,286 and a reduction in the obsolescence provision of \$428. As at December 31, 2023, a cumulative provision of \$162 (December 31, 2022 - \$189; January 1, 2022 - \$659) remains for inventory held in PNG.

## 6. Property and equipment

(thousands of USD)	Vehicles	Oilfield equipment	Office and computer equipment	Work-in progress	Total
<b>Cost</b>					
Balance, Jan 1, 2022	64	125,958	660	4,543	131,225
Additions	-	-	-	401	401
Dispositions	-	(3,551)	-	(29)	(3,580)
Transfers	-	4,915	-	(4,915)	-
Balance, Dec 31, 2022	64	127,322	660	-	128,046
Additions	-	754	-	326	1,080
Dispositions	-	(519)	(492)	-	(1,011)
Transfers	36	40	16	(92)	-
Impairment	-	(15,200)	-	-	(15,200)
Balance, Dec 31, 2023	100	112,397	184	234	112,915
<b>Accumulated depreciation</b>					
Balance, Jan 1, 2022	53	90,911	638	-	91,602
Depreciation	10	7,459	7	-	7,476
Dispositions	-	(3,239)	-	-	(3,239)
Balance, Dec 31, 2022	63	95,131	645	-	95,839
Depreciation	4	5,697	7	-	5,708
Dispositions	-	(517)	(486)	-	(1,003)
Balance, Dec 31, 2023	67	100,311	166	-	100,544
Net book value, Jan 1, 2022	11	35,047	22	4,543	39,623
Net book value, Dec 31, 2022	1	32,191	15	-	32,207
Net book value, Dec 31, 2023	33	12,086	18	234	12,371

### Impairment – 2023

As at September 30, 2023, the Corporation identified indicators of potential impairment. Indicators included the Corporation's primary customer planning to conclude drilling after completing its minimum well commitment on their drilling schedule under a long-term contract and the lack of outstanding customer contract tenders or open bid submissions for the Corporation's rigs 115 and 116. The Corporation performed an impairment test and it was determined that the recoverable amount was below the carrying value of \$38,500 resulting in an impairment of \$15,200 at September 30, 2023.

The recoverable amount of the PNG Operations CGU was determined using a value in use calculation. Revenue and EBITDA forecasts were performed up to and including the year 2027 and were based on management's current assessment of future combined drilling, rental and workover activity and were based on management's P50 forecast case (P50 being a case that can be exceeded with 50% probability i.e., the most probable case) using both external and internal sources, contracts currently in place as well as historical activity levels.

Cash flows used in the calculation were discounted using a discount rate specific to the PNG Operations. The after-tax discount rate derived from the Corporation's weighted average cost of capital, adjusted for risk factors specific to the PNG Operations CGU and used in determining the recoverable amount was 25.2%.

The Corporation determined that there were no indicators of impairment at December 31, 2023.

### 2023 Dispositions

In 2023, HAES Cyprus disposed of other property and equipment and received cash proceeds of \$Nil (2022 - \$725, 2021 - \$45) resulting in a loss on sale of \$13 (2022 - \$416 gain, 2021 - \$39 gain).

## 7. Right of use assets and lease liabilities

### (a) Right of use assets:

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022
<b>Costs:</b>		
Opening balance	543	469
Additions	1,124	551
Dispositions	(219)	(514)
Effect of foreign exchange	1	37
Closing balance	1,449	543

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022
<b>Accumulated amortization:</b>		
Opening balance	85	317
Additions	514	218
Dispositions	(67)	(456)
Effect of foreign exchange	4	6
Closing balance	536	85
Net closing balance	913	458

The right-of-use assets relate to various types of real estate assets.

### (b) Lease liabilities:

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022
Opening balance	463	161
Lease additions	1,124	551
Lease dispositions	(147)	(90)
Lease payments	(714)	(243)
Lease finance expense (Note 11)	251	88
Effect of foreign exchange rate changes	(4)	(4)
Closing balance	973	463
Current	466	231
Non-current	507	232

The lease liabilities relate to various types of real estate assets which are recorded as right-of-use assets.

The undiscounted cash flows relating to the lease liabilities at December 31, 2023, December 31, 2022 and January 1, 2022 are as follows:

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022	As at Jan 1, 2022
Less than one year	525	259	161
One year to five years	524	374	-
More than five years	-	-	-
Total undiscounted liabilities	1,049	633	161

## 8. Accounts payable and accrued liabilities

The nature of the Corporation's accounts payable and accrued liabilities for the years ended December 31, 2023 and 2022, respectively, are as follows:

(thousands of USD)	As at Dec 31, 2023	As at Dec 31, 2022	As at Jan 1, 2022
Trade accounts payable	3,470	840	1,415
Accrued liabilities	4,689	3,725	3,787
Wages and payroll taxes payable	705	439	347
Other accounts payable	143	-	11
<b>Total accounts payable and accrued liabilities</b>	<b>9,007</b>	<b>5,004</b>	<b>5,560</b>

## 9. Shareholder's equity

The total authorized number of ordinary shares is 2,000 (2022 & 2021: 2,000 shares) with a par value of 1.71 euros per share. All issued shares are fully paid.

## 10. Revenue

The following tables include a reconciliation of disaggregated revenue by type of service provided.

Year ended December 31, 2023 (thousands of USD)	2023	2022	2021
Service revenue	35,494	23,600	8,456
Equipment rental revenue	7,886	6,329	3,294
<b>Total revenue</b>	<b>43,380</b>	<b>29,929</b>	<b>11,750</b>

The Corporation's revenue originates geographically in PNG.

## 11. Supplementary expense disclosures

### (a) Oilfield services expenses by nature

(thousands of USD)	2023	Year ended December 31, 2022	2021
Personnel	12,199	10,568	2,333
Equipment operating and maintenance	1,035	1,242	646
Material and supplies	8,669	8,668	764
Drilling rig rental	6,400	2,888	3,427
Other	661	965	850
<b>Total oilfield services expense</b>	<b>28,964</b>	<b>24,331</b>	<b>8,020</b>

### (b) General and administrative expenses by nature:

(thousands of USD)	2023	Year ended December 31, 2022	2021
Personnel	2,460	2,832	1,724
Professional, legal, and advisory fees	397	311	260
Information technology services	225	219	205
Corporate	226	174	103
Office and warehouse	255	78	23
Expense (recovery) of ECL	9	(38)	45
Vehicle, supplies and other	47	81	60
<b>Total general and administrative expense</b>	<b>3,619</b>	<b>3,657</b>	<b>2,420</b>

**(c) Bank fees and finance expense:**

(thousands of USD)	Year ended December 31,		
	2023	2022	2021
Bank fees	24	17	12
Lease finance expense (Note 7)	251	88	8
Other	(32)	2	-
Total bank fees and finance expense	243	107	20

**12. Supplementary cash flow information**

Changes in non-cash working capital balances:

(thousands of USD)	Year ended December 31,		
	2023	2022	2021
<u>Source (use) of cash:</u>			
Accounts receivable	(4,446)	442	(5,935)
Inventory, prepaid expense, and other assets	(352)	219	(395)
Accounts payable and accrued liabilities	4,003	(556)	2,957
Income taxes receivable	(147)	2,015	334
Income taxes payable	114	(356)	-
Due to / from related party	(539)	356	(541)
	(1,367)	2,120	(3,580)
<u>Attributable to:</u>			
Operating activities	(1,367)	2,120	(3,580)
Investing activities	-	-	-
Financing activities	-	-	-
	(1,367)	2,120	(3,580)

### 13. Income tax

#### (a) Income tax expense

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
(thousands of USD)			
Current income tax expense	1,028	2,708	675
Deferred income tax expense (recovery)	(2,872)	(1,900)	(1,624)
Total tax expense (recovery)	(1,844)	808	(949)
	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
(thousands of USD)			
Net loss before income tax	(10,467)	(4,150)	(5,970)
Cypriot statutory tax rate	12.50%	12.50%	12.50%
Expected income tax expense (recovery)	(1,308)	(519)	(746)
Increase (decrease) resulting from:			
Effect of foreign tax and rates	(2,474)	541	(789)
Change in unrecognized deferred tax asset	945	-	-
Withholding taxes	955	661	573
Other	38	125	13
Total income tax expense (recovery)	(1,844)	808	(949)
Effective tax rate	17.60%	(19.50%)	15.90%

The provision for income tax differs from the result that would be obtained by applying the expected Cypriot tax rate of 12.50% (2022 – 12.50%) against the net loss before income taxes. The Corporation's effective tax rate was impacted mainly by unrecognized deferred tax assets related to deductible temporary differences in PNG and the effective rate and deductible differences in the Corporation's other international jurisdictions.

#### (b) Deferred tax assets (liabilities)

Differences between the accounting and tax bases of assets and liabilities at expected tax rates upon anticipated reversal of such differences create deferred tax assets and liabilities on the statement of financial position.

The following table summarizes the deferred income tax assets and liabilities by jurisdiction:

	As at December 31, 2023	As at December 31, 2022	As at January 1, 2022
Deferred income tax assets (liabilities):			
Property and equipment and inventory	(1,305)	(6,401)	(7,084)
Non-capital losses	2,250	3,504	1,967
Unrecognized deferred tax asset	(945)	-	-
Other	-	25	345
Net deferred income tax assets (liabilities)	-	(2,872)	4,772

The following tables summarize the movements of the deferred income tax assets and liabilities during the year:

	December 31, 2022	Recognized in net loss	December 31, 2023
Deferred income tax liabilities:			
Property and equipment and Inventory	(6,401)	5,096	(1,305)
Non-capital losses	3,504	(1,254)	2,250
Unrecognized deferred tax asset	-	(945)	(945)
Other	25	(25)	-
Net deferred income tax (liabilities) assets	(2,872)	2,872	-

	January 1, 2022	Recognized in net loss	December 31, 2022
Deferred income tax liabilities:			
Property and equipment and Inventory	(7,084)	683	(6,401)
Non-capital losses	1,967	1,537	3,504
Other	345	(320)	25
Net deferred income tax (liabilities) assets	(4,772)	1,900	(2,872)

**(c) Unrecognized non-capital losses**

Total non-capital losses carried forward for income tax purposes was \$9,006 at December 31, 2023 (December 31, 2022 - \$11,363; January 1, 2022 - \$8,589) which expire in years 2026 through 2030.

**(d) Withholding taxes**

The government of PNG levies withholding taxes when funds are repatriated out of the country, which includes intercompany dividends. For the year ended December 31, 2023, withholding tax levied associated with such charges amounted to a credit of \$200 for overpayment of 2022 taxes (2022 - an expense of \$1,900, 2021 - \$nil) and are recorded as part of current income tax expense. The average dividend withholding rate is 15% (2022 - 15%, 2021 - 15%).

The government of PNG levies foreign contractor withholding tax at 15% on all PNG revenue earned by companies incorporated outside of PNG, which includes the Corporation's Singaporean entity. Customers deduct this tax and remit it directly to the government in PNG. For the year ended December 31, 2023, this amounted to \$1,183 (2022 - \$923, 2021 - \$494) and is recorded as part of current income tax expense.

**(e) Income tax receivable**

Income tax receivable totaled \$503 at December 31, 2023 for installment payments made to the PNG government (2022 - \$356, 2021 - \$2,371). The Corporation can apply the prepayments to future income tax payments on earnings.

## 14. Financial Instruments and risk management

Financial instrument measurement and classification:

The Corporation's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, income tax receivable/payable and lease liabilities. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and income tax receivable/payable approximate fair value due to the short-term nature of these instruments. The carrying value of lease liabilities where interest is charged at a fixed rate is not significantly different than fair value.

Financial and other risks:

The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes pandemic and/or endemic risk or the risk that operations and/or administration are forced to run at less than full capacity due to an absence or reduction of members of the workforce, either through forced closures by government both within countries and across national borders, by internally imposed rotational schedules and/or quarantine or illness of the workforce. Further, geopolitical risks are the potential risks that a business may face due to changes in global events, policies, national security threats, or regulations. These have impact on a company's workforce and operations by limiting market access and increasing costs and could have significant impact on the Corporation. Also, cyber-security risks increase with the use of cloud hosted servers. Such restrictions could significantly impact the ability for the Corporation to operate, and therefore impact financial results.

**Market risks:**

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market rates:

*a) Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has no financing or risk management contracts that would be affected by interest rates in place at December 31, 2023 and 2022.

*b) Commodity price risk*

Commodity price risk is the risk that the Corporation's future cash flows will fluctuate due to changes in demand for the Corporation's services, where almost all the Corporation's customers are oil and gas producers. HAES Cyprus's customers' activity and strategic decisions are impacted by the fluctuations of oil and gas pricing.

These prices are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction by OPEC, the ongoing effect of the conflicts between Russia & Ukraine and Israel & Palestine, climate-change-driven transitions to lower emission energy sources, the impact of future pandemics upon economic activity, the implications of changes to government and government policy and investment decisions in PNG to expand its LNG export capacity.

The Corporation had no risk management contracts that would be affected by commodity prices in place at December 31, 2023 and 2022.

*c) Foreign currency risk*

Foreign currency risk is the risk that a variation in the exchange rate between the USD and foreign currencies will affect the Corporation's results.

Most of the Corporation's revenue and expenses are effectively transacted in USD and the Corporation does not actively engage in foreign currency hedging.

*d) PNG foreign currency restrictions*

The Corporation's ability to repatriate funds from PNG is controlled by the PNG government through their central bank. There are currently several monetary and currency exchange control measures in PNG that can impact the ability to repatriate funds, as well as establish requirements to transact in the local PNG currency (Kina or "PGK").

As at December 31, 2023, \$5,635 (December 31, 2022 - \$564) was on deposit with a large international bank in PNG. The Bank of PNG ("BPNG") has provided approval for the Corporation to maintain a USD bank account in accordance with the BPNG currency regulations. Historically, the Corporation has received approval from BPNG for drilling services contracts with its key customers in PNG to be denominated and settled in USD. The Corporation will continue to seek BPNG approval for our contracts to be settled in USD on a contract-by-contract basis, however, there is no assurance the BPNG will grant these approvals.

The BPNG currency regulations also limit the amount of foreign currency that companies can maintain in order to meet their forecasted three-month cash flow requirements, with excess funds required to be held in PGK. While no significant issues have been experienced to date, there is no guarantee such restrictions will not impact the Corporation's ability to transact or repatriate funds.

**Credit risk, customers, and economic dependence:**

Credit risk is the risk of a financial loss occurring as a result of a default by a counter party on its obligation to the Corporation. The Corporation's financial instruments that are exposed to credit risk consist primarily of accounts receivable and cash balances held in banks. The Corporation mitigates credit risk by regularly monitoring its accounts receivable position and depositing cash in properly capitalized banks. The Corporation also institutes credit reviews prior to commencement of contractual arrangements.

The Corporation's accounts receivable is predominantly with customers who explore for and develop petroleum reserves and are subject to industry credit risk consistent with the industry. The Corporation assesses the creditworthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

In providing for ECL, the Corporation uses the historical default rates within the industry between investment grade and non-investment grade customers as well as forward looking information to determine the appropriate loss allowance provision.

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation customers are predominantly made up of large multinational customers in PNG.

The Corporation provided services to two large multinational customers who individually accounted for greater than 10% of its consolidated revenues during the year ended December 31, 2023 with total sales of \$42,799 (2022 – three large multinational customers with total sales of \$29,929, 2021 – three large multinational customers with total sales of \$9,906).

As at December 31, 2023, two customers represented a total of \$10,791 or 98% of outstanding accounts receivable (2022 – two customers representing \$5,807 or 89% of outstanding accounts receivable).



**Liquidity risk:**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating, and authorizing project expenditures, authorization of contractual agreements, and managing compliance to debt finance agreements.

The following table details the remaining contractual maturities of the Corporation's financial liabilities as of December 31, 2023:

Payments due by period						
(thousands of USD)	Less than 3 months	3 months to 1 year	1-2 years	2-5 years	5+ years	Total
Accounts payable and accrued liabilities	9,007	-	-	-	-	9,007
Lease liabilities (including current)	75	391	394	113	-	973
Income tax payable	282	-	-	-	-	282
Total	9,364	391	394	113	-	10,262

**15. Capital management**

The Corporation's primary objective of capital management is to maintain a strong capital base, in conjunction with conservative long-term debt levels so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Corporation seeks to maintain a balance between higher returns on equity that might be possible with higher levels of borrowings and the advantages and security created by a well-capitalized equity position.

The Corporation has no long-term debt and therefore, its capital structure consists of Shareholder's equity of \$33,112 at December 31, 2023 (December 31, 2022 - \$41,734; January 1, 2022 \$57,445).

The Corporation prepares annual and quarterly operating and capital expenditure budgets, and forecasts to assist with the management of its capital. The Corporation intends to maintain a flexible capital structure and it may alter its dividend levels, raise new equity or issue new debt in response to a change in economic conditions.

There were no significant changes to the Corporation's approach to capital management during the years ended December 31, 2023, December 31, 2022 and December 31, 2021.

**16. Related party transactions****Intercompany balances**

The table below summarizes the intercompany current asset and liability balances as at December 31, 2023 and 2022 and at January 1, 2022:

	As at December 31, 2023	As at December 31, 2022	As at January 1, 2022
Due from (to) HAES Inc.	210	(329)	27

**Loan balance with HAES Inc.**

As at January 1, 2022 the Corporation was owed \$10,000 by its parent company High Arctic Energy Services Inc. The loan was settled in 2022 with the Corporation forgiving the loan with High Arctic Energy Services Inc. and in return issuing a non-cash dividend in exchange. The loan earned interest at US\$ prime rate plus 0.5% calculated monthly. Interest income earned in 2022 was \$586 (2021 - \$389).

**Dividends**

The table below summarizes the dividends paid and the form of consideration used to settle the dividends to the Corporation's parent company High Arctic Energy Services Inc. for the years ended December 31, 2023, 2022 and 2021:

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Dividends paid in cash to HAES Inc.	-	750	4,675
Dividends settled by forgiving intercompany loan balance due from HAES Inc.	-	10,000	-
Dividends settled by forgiving intercompany balance due from HAES Inc.	-	-	500
Total dividends to HAES Inc.	-	10,750	5,175

**Management fees**

Management fees represent recoveries from High Arctic Energy Services Inc. of general and administrative costs incurred by the Corporation and its subsidiaries in the respective period. The table below summarizes the management fee earned by the Corporation from the Corporation's parent company High Arctic Energy Services Inc. for the years ended December 31, 2023, 2022 and 2021:

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Total	557	718	665

**Executive personnel**

The table below summarizes the executive compensation paid for the respective years:

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Total	630	928	782

One executive officer has a change of control clause (2022 – one executive officer) that would result in additional wages and benefit expenses being accrued if executed, as well as immediate vesting of outstanding share-based compensation plans.

## 17. Segmented Information

The Corporation determines its operating segments based on internal information reviewed by the executive management team and Board of Directors to allocate resources and assess performance. The Corporation's reportable operating segments are strategic operating units that offer different products and services. The Corporation operates in PNG and has three operating segments, as follows:

- a) *Drilling services*  
This segment currently consists of the Corporation's drilling services provided in PNG, including the provision of drilling personnel to assist our customer's operations.
- b) *Ancillary services*  
Ancillary services segment consists of the Corporation's oilfield rental equipment in PNG.
- c) *Production services*  
Production services assets include the Corporation's hydraulic workover rig in PNG.

Details associated with each geographic and operating segment are provided as at and for the years ended December 31, 2023, 2022 and 2021 in the tables which follow.

### i. Assets by geographic location

(thousands of USD)	As at December 31, 2023		As at December 31, 2022		As at January 1, 2022	
Segment	Non-current assets	Total Assets	Non-current assets	Total Assets	Non-current assets	Total Assets
PNG	13,116	42,156	32,439	49,242	39,702	57,579
Australia	168	1,109	226	1,111	73	792
Cyprus	-	109	-	217	10,000	10,091
	13,284	43,374	32,665	50,570	49,775	68,462

### ii. Income (loss) from reportable segments

Year ended December 31, 2023					
(thousands of USD)	Drilling services	Ancillary services	Production services	Corporate	Total
Revenue	35,494	7,886	-	-	43,380
Oilfield services expenses	(26,980)	(1,937)	(47)	-	(28,964)
General and administrative expenses	(2,242)	(140)	-	(1,237)	(3,619)
Depreciation and amortization expenses	(4,006)	(1,578)	(582)	(56)	(6,222)
Management fee income	-	-	-	557	557
Bank fees and finance expenses	(224)	(7)	-	(12)	(243)
Foreign exchange gain (loss)	(148)	6	-	(1)	(143)
Gain (loss) on sale of property and equipment	5	(18)	-	-	(13)
Asset impairment loss	(13,870)	-	(1,330)	-	(15,200)
Net segment earnings (loss) before income tax	(11,971)	4,212	(1,959)	(749)	(10,467)

Year ended December 31, 2022					
(thousands of USD)	Drilling services	Ancillary services	Production services	Corporate	Total
Revenue	23,600	6,329	-	-	29,929
Oilfield services expenses	(22,399)	(1,866)	(66)	-	(24,331)
General and administrative expenses	(1,964)	(67)	-	(1,626)	(3,657)
Depreciation and amortization expenses	(5,165)	(1,998)	(474)	(57)	(7,694)
Interest income	-	-	-	586	586
Management fee income	-	-	-	718	718
Bank fees and finance expenses	(95)	(7)	-	(5)	(107)
Foreign exchange gain (loss)	1	-	-	(11)	(10)
Gain (loss) on sale of property and equipment	(105)	521	-	-	416
Net segment earnings (loss) before income tax	(6,127)	2,912	(540)	(395)	(4,150)

Year ended December 31, 2021

(thousands of USD)	Drilling services	Ancillary services	Production services	Corporate	Total
Revenue	8,456	3,294	-	-	11,750
Oilfield services expenses	(7,139)	(806)	(75)	-	(8,020)
General and administrative expenses	(1,055)	(97)	-	(1,268)	(2,420)
Depreciation and amortization expenses	(5,656)	(2,591)	(36)	(60)	(8,343)
Interest income	-	-	-	389	389
Management fee income	-	-	-	665	665
Bank fees and finance expenses	(10)	(3)	-	(7)	(20)
Foreign exchange gain (loss)	(7)	(10)	-	7	(10)
Gain on sale of property and equipment	4	35	-	-	39
Net segment loss before income tax	(5,407)	(178)	(111)	(274)	(5,970)

iii. Asset breakdown by reportable segments

(thousands of USD)	As at December 31, 2023				
	Drilling services	Ancillary services	Production services	Corporate	Total
Property and equipment	6,269	5,586	516	-	12,371
Right of use assets	745	-	-	168	913
Total assets	29,350	12,399	516	1,109	43,374

(thousands of USD)	As at December 31, 2022				
	Drilling services	Ancillary services	Production services	Corporate	Total
Property and equipment	23,469	6,310	2,428	-	32,207
Right of use assets	232	-	-	226	458
Total assets	37,890	9,454	2,645	581	50,570

(thousands of USD)	As at January 1, 2022				
	Drilling services	Ancillary services	Production services	Corporate	Total
Property and equipment	28,297	11,268	58	-	39,623
Right of use assets	79	-	-	73	152
Total assets	56,823	10,789	58	792	68,462

## 18. Commitments and contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied with equipment and an inventory of spare parts with a total value of \$6,135 at December 31, 2023 (December 31, 2022 - \$6,135, January 1, 2022 - \$6,135) by a customer for the Corporation's operations in PNG. The capital equipment and inventory are owned by this party and have not been recorded on the books of HAES Cyprus. Written notice is required to end the contract. When the notice to terminate is communicated, the Corporation must return the balance of capital equipment and inventory and make a payment to the customer equivalent to any shortfall. As at, December 31, 2023, the Corporation has recorded a current obligation of \$2,589 (December 31, 2022 - \$2,414, January 1, 2022 - Nil) as a result of consuming third-party owned inventory in operations which it is required to replenish on or prior to the termination of the contractual arrangement.

The following 23 pages (Management's Discussion and Analysis for High Arctic Energy Services Cyprus Limited for the three years ended December 31, 2023, 2022 and 2021) were inadvertently omitted from the Management Information Circular dated May 9, 2024, and were subsequently filed on the Corporation's SEDAR+ profile on May 29, 2024. The missing pages have been inserted in this document for the convenience of the reader.

# **HIGH ARCTIC ENERGY SERVICES CYPRUS LIMITED**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE YEARS ENDED  
December 31, 2023, 2022 and 2021**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis ("MD&A") is a summary review of risks, the results of operations, liquidity, and capital resources of High Arctic Energy Services Cyprus Limited and its subsidiaries ("HAES Cyprus" or the "Corporation") and should be read in conjunction with the audited consolidated financial statements and notes of the Corporation for the years ended December 31, 2023, 2022 and 2021 (the "Financial Statements").

The Financial Statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

This MD&A complements and supplements the Financial Statements as at December 31, 2023, and 2022 and for the years ended December 31, 2023, 2022, and 2021 of HAES Cyprus. For a full understanding of the financial position and results of operations of the PNG Business, this MD&A should be read in conjunction with the Financial Statements of the Corporation and the historical annual and interim consolidated financial statements, and annual information forms of its parent company High Arctic Energy Services Inc. ("High Arctic") for the years ended December 31, 2023, 2022 and 2021. High Arctic's historical annual and interim consolidated financial statements are available at [www.sedarplus.ca](http://www.sedarplus.ca) under High Arctic's profile.

Management is responsible for the integrity of the information contained in this MD&A and for consistency between the MD&A and the Financial Statements. In preparing these statements, estimates, judgments and allocations were necessary and management believes these have been based on careful judgements and are properly presented. The Financial Statements have been prepared using policies and procedures established by management and fairly reflect the Corporation's financial position, statements of comprehensive loss, changes in shareholder's equity and cash flows.

Readers are cautioned that this MD&A contains certain forward-looking information. Please refer to the "Forward-Looking Statements" section of this MD&A for the Corporation's discussion on forward looking information including risk factors that could cause actual results to differ materially from such forward-looking information and certain assumptions used to underlie the forward-looking information. Definitions of certain non-IFRS financial measures are included under the "Non-IFRS Measures" section of this MD&A. Please refer to abbreviations listed on the last page of this MD&A. All amounts are expressed in thousands of US Dollars ("USD") unless otherwise noted. USD is the functional and reporting currency of the Corporation.

In the following discussion, the year ended December 31, 2023 may be referred to as "FY 2023". The comparative years ended December 31, 2022 and 2021 may be referred to as "FY 2022" and "FY 2021" respectively.

### CORPORATE PROFILE

Headquartered in Nicosia, Cyprus High Arctic Energy Services Cyprus Limited provides services in Papua New Guinea ("PNG") through its wholly owned subsidiaries to the extractive industries with particular focus on exploration and production companies operating in the energy sector. The Corporation conducts its business operations in three separate operating segments: Drilling Services, Ancillary Services and Production Services.

#### Drilling Services

The Drilling Services segment consists of the Corporation's drilling services with its drilling assets in PNG including the provision of personnel to assist our customer's drilling related operations. The Corporation has operated in PNG since 2007 and controls the largest fleet of tier-one heli-portable drilling rigs in the country, with two owned rigs and one rig managed by the Corporation under operating and maintenance contracts for one of the Corporation's customers.

#### Ancillary Services

The Ancillary Services segment consists of a fleet of rental equipment that includes matting, cranes, forklifts, trucks, camps, tanks, and vehicles and primarily services the oil and gas exploration and production companies operating in PNG.

#### Production Services

The Production Services segment in PNG comprises the Corporation's hydraulic workover rig, the only dedicated workover rig in PNG.

## Select Comparative Financial Information

The following is a summary of select financial information of the Corporation:

	Years ended Dec 31,		
(thousands of USD)	2023	2022	2021
<b>Operating results</b>			
Revenue	43,380	29,929	11,750
Net loss <sup>(2)</sup>	(8,623)	(4,958)	(5,021)
Oilfield services operating margin <sup>(1)</sup>	14,416	5,598	3,730
<i>Oilfield services operating margin as a % of revenue <sup>(1)</sup></i>	33.2%	18.7%	31.7%
EBITDA <sup>(1) (2)</sup>	(4,002)	3,065	2,004
Adjusted EBITDA <sup>(1)</sup>	11,354	5,517	1,975
<i>Adjusted EBITDA as a % of revenue <sup>(1)</sup></i>	26.2%	18.4%	16.8%
Operating income (loss) <sup>(1)</sup>	4,575	(5,753)	(7,033)
<b>Cash flow from operations:</b>			
Cash flow from (used in) operating activities	8,906	2,632	(1,898)
Funds flow from operating activities <sup>(1)</sup>	10,273	512	1,682
Capital expenditures	1,080	401	1,870

(1) Oilfield services operating margin, EBITDA (Earnings before interest, tax, depreciation, and amortization), Adjusted EBITDA, Operating loss, Funds flow from operating activities and Working capital do not have a standardized meanings prescribed by IFRS – see “Non IFRS Measures” on page 11 for calculations of these measures.

(2) Net loss, EBITDA and other financial results presented were impacted by a (\$2,858) inventory adjustment in 2022 and by (\$15,200) asset impairment in 2023.

## Operating Results

### Drilling services segment

(thousands of USD, unless otherwise noted)	2023	Years ended Dec 31,	
		2022	2021
Revenue	<b>35,494</b>	23,600	8,456
Oilfield services expense	<b>26,980</b>	22,399	7,139
Oilfield services operating margin <sup>(1)</sup>	<b>8,514</b>	1,201	1,317
<b>Operating margin (%)</b>	<b>24.0%</b>	5.1%	15.6%

(1) See “Non-IFRS Measures”

Revenues for FY 2023 increased over the comparable period in 2022 and 2021 primarily as revenues generated from the reactivation of Rig 103 in mid-March of 2023 far exceeded revenues earned in 2022 from the short-term contract awarded to Rig 115, and the lack of any meaningful drilling activity in 2021. Slightly offsetting the increased revenue from the higher drilling rig utilization in FY 2023 was a reduced level of revenue from the provision of manpower as personnel were allocated to roles in or supporting the increased drilling operations. In 2021 and 2022, significant revenue was provided by the deployment of personnel with two main customers while drilling services were suspended, predominantly due to restrictions associated with the COVID-19 pandemic. The Corporation continues to develop its labour resourcing capabilities for its customers.

Operating margin as a percentage of revenues increased in FY 2023. This was attributable to increased activity resulting from the full utilization of PNG Rig 103 from mid-March 2023 to the end of 2023. 2022 margins were negatively impacted by the inventory adjustment and obsolescence provision of \$2,858 recorded and low margin reimbursable expenses incurred on behalf of the Corporation's principal customer in preparation for reactivating Rig 103 the following year.



The Corporation owns two heli-portable drilling rigs (Rigs 115 and 116) which remain preserved and maintained ready for deployment. Rig 115 last worked in the first half of 2022, conducting a complex well abandonment. Rig 116 has not been contracted for work since its initial contract expired in 2017 and accordingly will require certain capital refurbishment before going back to work.

#### Ancillary services segment

(thousands of USD, unless otherwise noted)	2023	Years ended Dec 31,	
		2022	2021
Revenue	<b>7,886</b>	6,329	3,294
Oilfield services expense	<b>1,937</b>	1,866	806
Oilfield services operating margin <sup>(1)</sup>	<b>5,949</b>	4,463	2,488
<b>Operating margin (%)</b>	<b>75.4%</b>	70.5%	75.5%

(1) See "Non-IFRS Measures"

The Ancillary services segment consists of the Corporation's oilfield rental equipment in PNG. In 2023, rental services revenue increased over FY 2022 as additional rental equipment was deployed with the Rig 103 drilling operations in PNG. Revenue in 2021 was considerably lower than FY 2023 and FY 2022 due to lower activity in PNG predominantly due to restrictions associated with the COVID-19 pandemic.

Operating margin as a percentage of revenues increased in FY 2023 from 70.5% in FY 2022 to 75.4%. This was attributable to higher revenue results being spread over the relatively fixed cost base inherent in the Corporation's Ancillary services segment.

#### Production services segment

There has been no revenue generating activity in the Corporation's Production services segment in 2021, 2022 or 2023. The Corporation continues to market its hydraulic workover rig package, Rig 102, in PNG and across the region. Oilfield services expenses for the Production services segment totalled \$47, \$66 and \$75 for FY 2023, 2022 and 2021 respectively.

#### General and Administrative ("G&A")

(thousands of USD, unless otherwise noted)	2023	Years ended Dec 31,	
		2022	2021
G&A	<b>3,619</b>	3,657	2,420
<b>Percent of revenue (%)</b>	<b>8.3%</b>	12.2%	20.6%

G&A expenses totaled \$3,619 for FY 2023, consistent with the \$3,657 incurred in 2022 which itself was up 51% from 2021 as PNG exited the deepest restrictions imposed to attempt to control the spread of COVID-19 and the Corporation returned personnel to full time employment. When compared to 2022 G&A, costs were relatively flat as headcount remained consistent throughout the two years. As a percentage of revenue, G&A decreased from 20.6% in 2021 to 12.2% in 2022 to 8.3% in 2023 primarily as a result of the increasing revenue base from year to year.

#### Interest income

Interest income earned in 2023 was nil (2022 - \$586 and 2021 - \$389). Interest was earned on a \$10 million loan owing to the Corporation's parent High Arctic Energy Services Inc. The loan was settled in 2022 with the Corporation forgiving the loan with High Arctic Energy Services Inc. and in return issuing a non-cash dividend in exchange.

#### Bank fee and finance expense

Bank fees and finance expenses incurred in 2023 totaled \$243 (2022 - \$107 and 2021 - \$20). The increase in these expenses is primarily due to the first full year of finance expenses related to the lease agreement for its Port Moresby yard and office facility in PNG.

#### Management fees

Management fees earned in 2023 were \$557 (2022 - \$718 and 2021 - \$665). These fees represent recoveries from High Arctic Energy Services Inc. of general and administrative costs incurred by the Corporation and its subsidiaries in the respective period.

#### Depreciation

Full year 2023 depreciation expense of \$6,222 was lower than the FY 2022 depreciation expense of \$7,694 primarily as a result of the reduced cost base of the Corporation's property and equipment and right-of-use assets following the impairment recorded in 2023.

## Impairment

During FY 2023, the Corporation identified indicators of potential impairment in its PNG Operations CGU. The indicators noted have created uncertainty around future drilling activity levels in PNG for the Corporation. The Corporation performed an impairment test to determine the recoverable amount of the PNG Operations CGU and it was determined that the recoverable amount of the PNG Operations CGU was below its carrying value resulting in an impairment of \$15,200 in 2023, reducing the net carrying value of oilfield property and equipment.

## Income taxes

(thousands of USD, unless otherwise noted)	2023	Years ended Dec 31,	
		2022	2021
Net loss before income tax	<b>(10,467)</b>	(4,150)	(5,970)
Current income tax expense	<b>(1,028)</b>	(2,708)	(675)
Deferred income tax recovery (expense)	<b>2,872</b>	1,900	1,624
Total income tax recovery (expense)	<b>1,844</b>	(808)	949
Effective tax rate	<b>17.6%</b>	(19.5%)	15.9%

The Corporation's current income tax expense comprises withholding taxes incurred in foreign jurisdictions where the Corporation has its operations. These withholding taxes are based on revenues earned or dividends paid and not on pre-tax income and as a result makes comparing effective tax rates from one period to another difficult. The reduction in current income tax expense in 2023 is due primarily to taxes levied on a dividend paid by PNG to the Corporation. The income tax recovery for 2023 relates primarily to a deferred income tax recovery of \$2,880 due to the impairment recorded in 2023.

Total non-capital losses carried forward for income tax purposes was \$2,250 at December 31, 2023 (2022 - \$3,504).

## Liquidity and capital resources

(thousands of USD)	2023	Years ended Dec 31,	
		2022	2021
<u>Cash provided by (used in) operations:</u>			
Operating activities	<b>8,906</b>	2,632	(1,898)
Investing activities	<b>(1,080)</b>	324	(1,825)
Financing activities	<b>(714)</b>	(993)	(4,967)
Effect of exchange rate changes on cash	-	(3)	12
Increase (decrease) in cash	<b>7,112</b>	1,960	(8,678)

(thousands of USD, unless otherwise noted)	As at	As at	As at
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
Current assets	<b>30,090</b>	17,905	18,687
Working capital <sup>(1)</sup>	<b>20,335</b>	12,173	12,442
Working capital ratio <sup>(1)</sup>	<b>3.1:1</b>	3.1:1	3.0:1
Cash and cash equivalents	<b>10,958</b>	3,846	1,886

(1) See "Non-IFRS Measures"

The Bank of PNG ("BPNG") continues to encourage the use of the local market currency, Kina, or PGK. Due to the PNG Business requirement to transact with international suppliers and customers, it has received approval from the BPNG to maintain its onshore PNG USD account within the conditions of the BPNG currency regulations. The Corporation continues to use PGK for local transactions when practical. Included in the BPNG's conditions is for PNG drilling contracts to be settled in PGK, unless otherwise approved by the BPNG for the contracts to be settled in USD. The Corporation has historically received such approval for its contracts with its key customers in PNG. The Corporation will continue to seek BPNG of PNG approval for contracts to be settled in USD on a contract-by-contract basis, however, there is no assurance the BPNG will grant these approvals.

If such approvals are not received, the Corporation's PNG drilling contracts will be settled in PGK which would expose the Corporation to exchange rate fluctuations related to the PGK. In addition, this may delay the Corporation's ability to receive USD which may impact the Corporation's ability to settle USD denominated liabilities and repatriate funds from PNG on a timely basis. The Corporation also requires the approval from the PNG Internal Revenue Commission ("IRC") to repatriate funds from PNG and make payments to non-resident PNG suppliers and service providers. While delays can be experienced for the IRC approvals, all such approvals have eventually been received in the past.

### Operating Activities

For the year ended December 31, 2023, cash generated from operating activities was \$8,906, up from \$2,632 in 2022. Funds flow from operations totaled \$10,273 in the year ended December 31, 2023 compared to \$512 in 2022 (see "Non-IFRS Measures"). In 2023, there was a \$1,367 cash outflow from working capital changes compared to an inflow of \$2,120 in 2022. Cash outflows in 2021 were a result of lower activity in PNG predominantly due to restrictions associated with the COVID-19 pandemic.

### Investing Activities

During the year ended December 31, 2023, the Corporation's cash used in investing activities was \$1,080 (2022: \$324 inflow) reflecting capital expenditures whereas in 2022, capital expenditures were \$401 offset by proceeds on disposal of \$725. The investments were predominantly spent on rental equipment for opportunistic deployment under take-or-pay customer contracts. In 2021 cash used in investing activities totaled \$1,825 primarily as a result of the Corporation investing in its hydraulic workover rig package, Rig 102 in anticipation of new contracts for services.

### Financing Activities

During the year ended December 31, 2023, the Corporation's cash used in financing activities was \$714 compared to the \$993 used in 2022. FY 2022 includes a dividend payment to High Arctic of \$750. The remaining amounts relate to the financing component of PNG's lease obligation payments. 2023 was higher in this regard compared to 2022 as it was the first full year of the three-year lease agreement for its Port Moresby yard and office facility in PNG. Cash used in financing activities was \$4,967 in 2021 primarily driven by a large cash dividend of \$4,675 paid to High Arctic.

### Commitments and Contingencies

As part of the Corporation's contractual rig management and operations, the Corporation has been supplied with equipment and an inventory of spare parts with a total value of \$6,135 at December 31, 2023 (December 31, 2022 - \$6,135, January 1, 2022 - \$6,135) by a customer for the Corporation's operations in PNG. The capital equipment and inventory are owned by this party and have not been recorded on the books of HAES Cyprus. Written notice is required to end the contract. When the notice to terminate is communicated, the Corporation must return the balance of capital equipment and inventory and make a payment to the customer equivalent to any shortfall. As at, December 31, 2023, the Corporation has recorded a current obligation of \$2,589 (December 31, 2022 - \$2,414, January 1, 2022 - Nil) as a result of consuming third-party owned inventory in operations which it is required to replenish on or prior to the termination of the contractual arrangement.

### Industry Indicators and Market Trends

The following table provides information for the last three years to assist with the understanding of the PNG oilfield services industry and the effect that commodity prices have on industry activity levels.

	2023	2022	2021
<b>Oil and LNG prices –</b>			
<b>Average for each period:</b>			
Brent crude oil (US\$/bbl) <sup>(1)</sup>	82	99	71
Japan LNG (US\$/mmbtu) <sup>(2)</sup>	14.39	18.43	10.76

(1) Source: Sproule

(2) Source: YCharts

Pricing for oil and natural gas production in PNG is generally tied to world prices such as Brent crude oil and Japan LNG, which rebounded strongly from lows experienced in 2020 and early 2021 when global demand was negatively impacted by COVID-19. Current commodity price levels provide a sustainable environment in which to invest in exploring for and developing new oil and gas reserves.

In 2023 Brent crude oil pricing has retreated from the high pricing environment experienced in 2022, with periods of trading below \$80/bbl. Trading was similar for international LNG sales, as European sales volumes pulled back from the levels observed in 2022 as a consequence of the conflict in Ukraine and the explosion of the Nord Stream II pipelines, in 2023 US LNG output increased and milder winters were encountered. The Corporation's PNG activity has historically been based on longer term, USD denominated contracts and therefore is less affected over the short-term volatility in oil and gas prices.

Activity levels for the Corporation's major customers in PNG are less dependent on short-term fluctuations in oil and gas prices and instead are based on medium and long-term decisions, particularly with their significant interest in large scale LNG projects both on-stream and in-development.

## Financial Risk Management

### Financial and other risks

The Corporation is exposed to financial risks arising from its financial assets and liabilities. This includes pandemic and/or endemic disease risk or the risk that operations and/or administration are forced to run at less than full capacity due to an absence or reduction of members of the workforce, either through forced closures by government both within countries and across national borders, by internally imposed rotational schedules and/or quarantine or illness of the workforce. This risk was significant in 2021 in relation to COVID-19. Further, geopolitical risks are the potential risks that a business may face due to changes in global events, policies, or regulations. These could impact the Corporation's workforce and operations by limiting market access and increasing costs. Also, cyber-security risks increase as the Corporation outsources its IT servers to cloud providers and employees work remotely. Such restrictions could significantly impact the ability of the Corporation to operate, and therefore impact financial results.

### Market and other related risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market rates:

#### a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation currently has no financing arrangements. The Corporation is therefore only exposed to interest rate risk on any future borrowing as rates fluctuate in response to changes in monetary policy and the applicable interest rates. The Corporation had no risk management contracts that would be affected by interest rates in place at December 31, 2023.

#### b) Commodity price risk

Commodity price risk is the risk that the Corporation's future cash flows will fluctuate due to changes in demand for the PNG Business's services, where almost all the Corporation's customers are oil and gas producers. The PNG Business's customer's activity and strategic decisions are impacted by the fluctuations of oil and gas pricing.

These prices are sensitive to local, regional and world economic and geopolitical events. This includes implications from changing oil demand and supply, policy direction taken by OPEC including the role taken by Russia, climate change driven transitions to lower emission energy sources, the implications of changes to government and government policy and ongoing negotiations in PNG to build LNG expansion with industry.

While the Corporation recognizes it will be impacted by these risks, the Corporation also strongly believes that there is a significant role for the energy services industry in the current, transitional, and future phases of energy industry changes.

The Corporation had no risk management contracts that would be affected by commodity prices in place at December 31, 2023.

### Foreign currency risk and PNG foreign currency restrictions

Foreign currency risk is the risk that a variation in the exchange rate between the USD and foreign currencies will affect the Corporation's results. The Corporation has exposure to PNG Kina ("PGK") fluctuations and other currencies such as the Australian dollar ("AUD") through its international operations. As a result, the Corporation is exposed to foreign exchange gains and losses through the settlement of foreign currency denominated transactions, which is recorded in net earnings (loss), as well as the conversion of the Corporation's subsidiaries with functional currencies other than USD, into USD for financial reporting presentation purposes, which is recorded as part of other comprehensive income (loss) within shareholder's equity.

The Corporation hedges its exposure to the PGK somewhat by denominating all of its major service contracts in USD regardless of whether they are settled in USD or in PGK. It does have some exposure via minor service contracts denominated and settled in PGK, local supplier and payroll expenses incurred in PGK and through bank balances carried in PGK. The impact of exchange rates for FY 2023 resulted in \$143 in foreign exchange losses (FY 2022 - \$10) primarily as a result of the depreciation of the PGK in 2023.

The Corporation has a subsidiary domiciled in Australia which is the Corporation's only entity with a functional currency that is not USD. Accordingly, the Corporation is also exposed to costs in AUD related primarily for the provision of management and administrative services. For the years ended December 31, 2023 and December 31, 2022 a \$0.10 change in the exchange rate of the USD relative to the AUD would have resulted in an immaterial change to the net loss of the Corporation as the Australia subsidiary had nil income after receiving management fee income from High Arctic.

The Corporation's ability to repatriate funds from PNG is controlled by the PNG government through their central bank. There are currently several monetary and currency exchange control measures in PNG that can impact the ability to repatriate funds, as well as establish requirements to transact in the PGK.

As at December 31, 2023, \$5,635 (December 31, 2022 - \$564) was on deposit with a large international bank in PNG. BPNG has provided approval for the PNG Business to maintain a USD bank account in accordance with the BPNG currency regulations.

Historically, the Corporation has received approval from BPNG for most of its drilling services contracts with its key customers in PNG to be denominated and settled in USD. However, if such approval is withdrawn in the future, or new contracts do not receive BPNG approval, funds may be converted into PGK and the Corporation would be required to access the foreign currency market in PNG to meet its foreign currency obligations, thus exposing the Corporation to greater foreign exchange exposure for the PGK.

The BPNG currency regulations also limit the amount of foreign currency that companies can maintain in order to meet their forecasted three-month cash flow requirements, with excess funds required to be held in PGK. While no significant issues have been experienced to date, there is no guarantee such restrictions will not exist or will not impact the Corporation's ability to transact or repatriate funds.

The Corporation's financial instruments have the following foreign exchange exposure as at December 31, 2023:

(in thousands)	PGK <sup>(1)</sup>	Aus Dollar (AUD) <sup>(2)</sup>
Cash	4,621	373
Accounts receivable	4,823	10
Accounts payable and accrued liabilities	(29)	(20)
Total	9,415	363

(1) As at Dec 31, 2023, one PGK was equivalent to 0.2655 USD.

(2) As at Dec 31, 2023, one AUD was equivalent to 0.6806 USD.

### PNG restrictions on distributions

As at December 31, 2023, the Corporation's cash balances in PNG totaled \$6,563. Dividends paid out of PNG are subject to a dividend withholding tax of 15% and are held at source. As a result of this PNG tax legislation, a restriction therefore exists on the total amount of funds the Corporation could repatriate if a dividend were declared and paid. Assuming the Corporation declared a dividend for the full amount of its cash balances held at December 31, 2023, the dividend would attract a withholding tax in PNG of approximately \$985 and the funds repatriated from PNG would be reduced accordingly.

### Credit risk, customers, and economic dependence

Credit risk is the risk of a financial loss occurring as a result of a default by a counter party on its obligation to the Corporation. The Corporation's financial instruments that are exposed to credit risk consist primarily of accounts receivable and cash balances held in banks. The Corporation mitigates credit risk by regularly monitoring its accounts receivable position and depositing cash in properly capitalized banks. The Corporation also institutes credit reviews prior to commencement of contractual arrangements.

The Corporation's accounts receivable is predominantly with customers who explore for and develop petroleum reserves and are subject to industry credit risk consistent with the industry. The Corporation assesses the credit worthiness of its customers on an ongoing basis and monitors the amount and age of balances outstanding.

In providing for expected credit losses ("ECL"), the Corporation uses the historical default rates within the industry between investment grade and non-investment grade customers as well as forward looking information to determine the appropriate loss allowance provision.

The net carrying amount of accounts receivable represents the estimated maximum credit exposure on the accounts receivable balance. The Corporation has a range of customers comprised of predominantly large global customers in PNG.

The Corporation provided services to two large multinational customers who individually accounted for greater than 10% of its consolidated revenues during the year ended December 31, 2023 with total sales of \$42,799 (2022 – three large multinational customers with total sales of \$29,929, 2021 – three large multinational customers with total sales of \$9,906).

As at December 31, 2023, two customers represented a total of \$10,791 or 98% of outstanding accounts receivable (2022 – two customers representing \$5,807 or 89% of outstanding accounts receivable).

## **Liquidity Risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

Liquidity risk is currently being impacted by uncertainty within capital markets given the increase in inflation across global economies, economic recession possibilities, contraction of available capital and monetary tightening policies implemented by governments around the world.

The Corporation's processes for managing liquidity risk include preparing and monitoring capital and operating budgets, working capital management, coordinating, and authorizing project expenditures, authorization of contractual agreements and remaining attentive to the relationship with the Corporation's bankers and other creditors. The Corporation seeks to manage its financing based on the results of these processes.

## **Critical Accounting and other Significant Judgements and Estimates**

As a routine element of the financial statement preparation process, management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the possible disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses for the period.

Information on the Corporation's critical accounting judgements and estimates can be found in Note 2 Basis of Presentation – Critical Accounting Judgements and Estimates in the audited annual consolidated financial statements for the year ended December 31, 2023. Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were Highly uncertain at the time they were made. The most significant estimates in the Corporation's Financial Statements relate to, but are not limited to, the following:

### *Accounts receivable – Expected credit loss*

The Corporation estimates the amount of expected credit losses for trade receivables with no financing component using a provision matrix. The provision matrix is based on historical loss experience and is adjusted for forward-looking estimates based on current and future economic conditions using internal and externally sourced data. Judgement is required when applying this information to the expected credit loss and any adjustments as a result of new information.

The Corporation uses the simplified approach of the expected credit loss model for trade receivables with no significant financing component which requires measuring the loss allowance at an amount equal to the lifetime expected credit losses at initial recognition and throughout its life.

### *Inventory obsolescence provision*

The Corporation measures inventories at the lower of the cost and net realizable value. The cost of inventories may not be recoverable if inventories are damaged or can no longer be used in the field and are therefore obsolete. Judgement is required when determining which inventory requires a provision for obsolescence.

The Corporation inspects inventory throughout the year and adjusts provisions for obsolete inventory each reporting period. Inventory that is identified as damaged or obsolete is eventually scrapped and removed from the inventory listing.

### *Identification of CGUs & impairment of property and equipment*

Property and equipment are tested for impairment when events and/or changes in circumstances indicate that the carrying amount may not be recoverable which involves both judgement and estimation. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, defined as CGUs.

The classification of assets and allocation of corporate assets in CGUs requires significant judgement and interpretation. Further, the factors considered in CGU classification include the integration between assets, shared infrastructures, the existence of common sales points, geography and the way management monitors and makes decisions about its operations. As such, the determination of a CGU involves considerable judgement and could have a significant impact on impairment losses and reversals.

The assessment of impairment or impairment reversal indicators is based on significant judgment of whether there are internal and external factors that would indicate that a CGU and specifically the non-financial assets within the CGU, either are impaired or are no longer impaired. These factors include revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") forecasts, expected industry activity levels, commodity price developments and market capitalization.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the CGU). Estimates of revenues and EBITDA forecasts used in the evaluation of impairment of assets are made using management's current operating forecasts, expected utilization, rates and costs of available equipment (margin), terminal values and discount rates. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its expected recoverable amount.

At December 31, 2023, the Corporation determined that no indicators of impairment existed within the Corporation's CGU.

### **Business Risks and Uncertainties**

In addition to the financial risks discussed above under "Financial Risk Management", below under "Forward Looking Statements" and elsewhere in this MD&A, the Corporation is exposed to a number of business risks and uncertainties that could have a material impact. They include, but are not limited to:

#### ***Risks Applicable to the Oil and Gas Industry in General***

The success of the Corporation is dependent to a great extent on the health of the extractive industries and particularly the oil and natural gas industry in PNG and internationally which, in turn, is driven in large part by commodity prices. As a service provider to this industry, the Corporation is exposed to various risks, including:

- volatility in global supply and demand and market prices for oil and natural gas and the effect of these volatilities on the demand for oilfield services generally;
- the Russia-Ukraine conflict has had a significant impact on many aspects of the global economy. It has affected geopolitical relations between Russia and other countries, disrupted oil and gas supply chains, led to an increased focus on energy security and increased demand for energy services from other regions. This conflict could continue to cause disruption in the long term due to political tensions, policy change and economic factors;
- the emergence of conflict in the Middle East has increased risk to safe transportation and shipping via the Suez Canal and threatens to impact global oil and gas trade;
- general economic and political conditions in jurisdictions in which the Corporation operates including variations in currency exchange rates, interest rates and income tax rates;
- macroeconomic events can have a wide-ranging effect on the global economy. This includes increasing prices of commodities, impacts of government fiscal policy, increased costs of doing business and higher borrowing costs due to rising interest rates;
- risks inherent in foreign operations, including political, economic risk and the risk of foreign currency controls that could restrict the transfer of funds in or out of countries in which the Corporation operates or result in the imposition of taxes on such transfers;
- lingering effects of the Covid-19 pandemic which resulted in cessation of travel to PNG for nearly 2 years and has caused widespread economic volatility, with effects ranging from restrictions on freedom of movement and disruptions to deployment of labour force, international trade, and tourism;
- suppliers and third-party vendors experiencing workforce disruption or being ordered to cease operations;
- the implications of changes to government and government policy in countries where the Corporation conducts business;
- government and regulatory approval of our customers' projects;
- changes in legislation and the regulatory environment, including uncertainties with respect to royalty regimes, environmental guidelines, climate change policy, and resource extraction or development agreements;
- alternatives to and changing demands for petroleum products;
- the worldwide demand for oilfield services in connection with the workover and completion of oil and natural gas wells;

- liabilities and risks inherent in oil and natural gas operations, including environmental liabilities and risks arising below ground surface;
- credit risks associated with customers in the oil and natural gas industry, including the inability of a significant customer to pay for goods and services that have been provided;
- natural disasters, including earthquakes, particularly in PNG which is a country with frequently measured seismic events; and
- uncertainties in weather affecting the ability to provide services and/or the duration of the service periods and the activities that can be completed.

These factors may have an impact upon the Corporation and its customer base which, in turn, would impact the Corporation's business prospects. Readers of this MD&A should carefully consider the risks described under the heading "Risk Factors" in the accompanying Management Information Circular Appendix 'E', which are specifically incorporated by reference herein. The Management Information Circular is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca), copies of which can be obtained on request, from the Corporation.

#### Non-IFRS Measures

This MD&A contains references to certain financial measures that do not have a standardized meaning prescribed by IFRS and may not be comparable to the same or similar measures used by other companies. The Corporation uses these financial measures to assess performance and believes these measures provide useful supplemental information to shareholders and investors. These financial measures are computed on a consistent basis for each reporting period and include the following:

#### Earnings from operations before interest, taxes, depreciation, and amortization ("EBITDA")

EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. EBITDA is defined as net loss adjusted for income taxes, interest, bank charges and finance expense, and depreciation. Management believes that, in addition to net loss reported in the consolidated statements of loss and comprehensive loss, EBITDA is a useful supplemental measure of the Corporation's performance prior to consideration of how operations are financed or how results are taxed or how depreciation and amortization affects results. EBITDA is not intended to represent or be construed as an alternative to net earnings (loss) calculated in accordance with IFRS. Refer to table in Adjusted EBITDA below that provides a reconciliation of net earnings (loss), as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA.

#### Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Adjusted EBITDA is defined based on EBITDA (as defined above) prior to the effect of gains or losses on sales of property and equipment, impairment charges, non-recurring and inventory adjustments, excess of insurance proceeds over costs and foreign exchange gains or losses.

Management believes the addback for these items provides a more comparable measure of the Corporation's operational financial performance between periods. Adjusted EBITDA as presented is not intended to represent or be construed as an alternative to net loss in accordance with IFRS.

The following table provides a quantitative reconciliation of consolidated net loss, as disclosed in the consolidated statements of loss and comprehensive loss, to EBITDA and Adjusted EBITDA for the years ended December 31, 2023, 2022 and 2021:

(thousands of USD)	Years ended Dec 31,		
	2023	2022	2021
Net loss	<b>(8,623)</b>	(4,958)	(5,021)
Add:			
Interest income	-	(586)	(389)
Bank charges and finance expenses	<b>243</b>	107	20
Income tax expense (recovery)	<b>(1,844)</b>	808	(949)
Depreciation	<b>6,222</b>	7,694	8,343
EBITDA	<b>(4,002)</b>	3,065	2,004
Adjustments to EBITDA:			
Inventory adjustments	-	2,858	-
Asset impairment expense	<b>15,200</b>	-	-
Loss (gain) on sale of property and equipment	<b>13</b>	(416)	(39)
Foreign exchange loss	<b>143</b>	10	10
Adjusted EBITDA	<b>11,354</b>	5,517	1,975



### Oilfield services operating margin

Oilfield services operating margin is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Oilfield services operating margin is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understanding the Corporation's operating performance. Oilfield services operating margin is not intended to represent revenue, net earnings (loss), or other measures of financial performance calculated in accordance with IFRS. Oilfield services operating margin is calculated as revenue less oilfield services expense. Oilfield services operating margin as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) in accordance with IFRS. The table disclosed under "Oilfield services operating margin %" below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of loss and comprehensive loss, to oilfield services operating margin and oilfield operating margin % for the years ended December 31, 2023, 2022 and 2021.

### Oilfield services operating margin %

Oilfield services operating margin % is a non-IFRS measure in line with oilfield services operating margin discussed above. Oilfield services operating margin % is used by management to analyze overall operating performance. Oilfield services operating margin % is calculated as oilfield services operating margin divided by revenue.

The following table provides a quantitative calculation of oilfield services operating margin and %:

(thousands of USD, unless otherwise noted)	Years ended Dec 31,		
	2023	2022	2021
Revenue	43,380	29,929	11,750
Oilfield services expenses	(28,964)	(24,331)	(8,020)
Oilfield services operating margin	14,146	5,598	3,730
Oilfield services operating margin %	33.2%	18.7%	31.7%

### Operating income (loss)

Operating income (loss) is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Operating income (loss) is used by management to analyze overall operating performance. Management believes this non-IFRS financial measure provides useful information to investors and others in understating the Corporation's operating performance. Operating income (loss) is not intended to represent revenue, net earnings (loss), or other measures of financial performance calculated in accordance with IFRS. Operating income (loss) is calculated as revenue less oilfield services expense, general and administrative expense and depreciation. Operating income (loss) as presented is not intended to represent or be construed as an alternative to revenue or net earnings (loss) or other measures of financial performance calculated in accordance with IFRS.

The table disclosed below provides a quantitative reconciliation of revenue, as disclosed in the consolidated statements of comprehensive loss to operating income (loss) for the years ended December 31, 2023, 2022 and 2021:

(thousands of USD)	Years ended Dec 31,		
	2023	2022	2021
Revenue	43,380	29,929	11,750
Oilfield services expenses	(28,964)	(24,331)	(8,020)
G&A expenses	(3,619)	(3,657)	(2,420)
Depreciation	(6,222)	(7,694)	(8,343)
Operating income (loss)	4,575	(5,753)	(7,033)

### Percentage of revenue

Certain figures are stated as a percentage of revenue and are used by management to analyze individual components of expenses to evaluate the Corporation's performance from prior periods and to compare its performance to other companies.

### Funds flow from operations

Funds flow from operations is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Funds flow from operations is defined as net cash generated (used in) from operating activities adjusted for changes in non-cash working capital. Management believes that, in addition to net cash generated from operating activities as reported in the consolidated statements of cash flows, cash generated from operating activities before changes in non-cash working capital adjustments is a useful supplemental measure as it provides an indication of the funds generated by the Corporation's principal business activities prior to consideration of changes in items of working capital.

This measure is not intended to represent or be construed as an alternative to net cash generated from operating activities as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of net cash generated from (used in) operating activities, as disclosed in the consolidated statements of cash flows, to funds flow from (used in) operations for years ended December 31, 2023, 2022 and 2021:

(thousands of USD)	Years ended Dec 31,		
	2023	2022	2021
Net cash generated from (used in) operating activities	8,906	2,632	(1,898)
Less:			
Changes in non-cash working capital balances - operating	(1,367)	2,120	(3,580)
Funds flow from operations	10,273	512	1,682

### Working capital

Working capital is a non-IFRS financial measure that does not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities. Working capital is used by management as another measure to analyze the operating liquidity available to the Corporation. It is defined as current assets less current liabilities. Working capital ratio is defined as current assets dividend by current liabilities. This measure is not intended to represent or be construed as an alternative to current assets as calculated in accordance with IFRS.

The following tables provide a quantitative reconciliation of current assets, as disclosed in the consolidated statements of financial position, to working capital as at December 31, 2023, 2022 and 2021:

(thousands of USD)	As at	As at	As at
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2021
Current assets	30,090	17,905	18,687
Current liabilities	(9,755)	(5,732)	(6,245)
Working capital	20,335	12,173	12,442
Working capital ratio	3.1:1	3.1:1	3.0:1

## Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, and similar expressions are intended to identify forward-looking statements. Such statements reflect the Corporation’s current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Corporation’s actual results, performance, or achievements to vary from those described in this MD&A.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Specific forward-looking statements in this MD&A include, among others, statements pertaining to the following: general economic and business conditions which will include, among other things, the outlook for energy services; continued impact of Russia-Ukraine conflict; the impact of conflict in the middle east; the Corporation’s ability to maintain a USD bank account and conduct its business in USD in PNG; market fluctuations in commodity prices, and foreign currency exchange rates; restrictions to repatriate funds held in PGK; expectations regarding the Corporation’s ability to manage its liquidity risk; raise capital and manage its debt finance agreements; projections of market prices and costs; factors upon which the Corporation will decide whether or not to undertake a specific course of operational action or expansion; the Corporation’s ongoing relationship with its major customers; customers drilling intentions; the Corporation’s ability to position itself to be a significant supplier of services, equipment and manpower for other projects in PNG; deploying idle heli-portable drilling rigs 115 and 116 and securing future work with other exploration companies in PNG.

With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions regarding, among other things, its ability to: maintain its ongoing relationship with major customers; successfully market its services to current and new customers; devise methods for, and achieve its primary objectives; source and obtain equipment from suppliers; successfully manage, operate, and thrive in an environment which is facing much uncertainty; remain competitive in all its operations; attract and retain skilled employees; and obtain equity and debt financing on satisfactory terms.

The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this MD&A.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. These statements are given only as of the date of this MD&A. The Corporation does not assume any obligation to update these forward-looking statements to reflect new information, subsequent events or otherwise, except as required by law.

## Abbreviations

The following is a summary of abbreviations used in this Management Discussion and Analysis:

AUD	- Australian dollars
bbl	- Barrel
BPNG	- Bank of PNG
EBITDA	- Earnings before interest, tax, depreciation and amortization
FY	- Financial Year
ESG	- Environmental, Social and Corporate Governance
IFRS	- International Financial Reporting Standards
IRC	- Internal Revenue Commission of PNG
LNG	- Liquefied natural gas
MD&A	- Management discussion and analysis
mmbtu	- Million British thermal units
OPEC	- Organization of Petroleum Exporting Countries
PGK	- Papua New Guinea kina
PNG	- Papua New Guinea
US	- United States of America
USD	- United States dollars

**APPENDIX "H"**  
**Pro Forma Financial Statements of SpinCo**

# **HIGH ARCTIC OVERSEAS HOLDINGS CORP.**

## **PROFORMA FINANCIAL STATEMENTS**

**As at and for the year ended December 31, 2023**

# HIGH ARCTIC OVERSEAS HOLDINGS CORP.

## PRO-FORMA STATEMENT OF FINANCIAL POSITION

	High Arctic Overseas Holdings Corp. April 1, 2024	High Arctic Energy Services Cyprus Limited December 31, 2023	Pro-Forma Adjustments	Pro-Forma
(thousands of United States Dollars)				
<b>Assets</b>				
Current assets				
Cash and cash equivalents	-	10,958	(1,220)	9,738
Accounts receivable	-	10,990	-	10,990
Inventories	-	7,009	-	7,009
Prepaid expenses and other assets	-	420	-	420
Due from related party	-	210	-	210
Income tax receivable	-	503	-	503
	-	30,090	(1,220)	29,680
Non-current assets				
Property and equipment	-	12,371	-	12,371
Right of use assets	-	913	-	913
<b>Total assets</b>	-	43,374	(1,220)	42,154
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	-	9,007	-	9,007
Current portion of long-term debt	-	-	-	-
Current portion of lease liabilities	-	466	-	466
Income tax payable	-	282	-	282
	-	9,755	-	9,755
Non-current liabilities				
Lease liabilities	-	507	-	507
Deferred tax liabilities	-	-	-	-
<b>Total liabilities</b>	-	10,262	-	10,262
<b>Shareholders' Equity</b>				
Share capital	-	5	-	5
Accumulated and other comprehensive income	-	34	-	34
Retained earnings	-	33,073	(1,220)	31,853
	-	33,112	(1,220)	31,892
<b>Total liabilities and shareholders' equity</b>	-	43,374	(1,220)	42,174

The notes are an integral part of these pro-forma financial statements.

## HIGH ARCTIC OVERSEAS HOLDINGS CORP. PRO-FORMA STATEMENT OF NET LOSS

(thousands of United States Dollars)	High Arctic Overseas Holdings Corp. April 1, 2024	High Arctic Energy Services Cyprus Limited Year Ended December 31, 2023	Pro-Forma Adjustments	Pro-Forma
Revenue	-	43,380	-	43,380
Oilfield services expenses	-	28,964	-	28,964
General and administrative expenses	-	3,619	1,220	4,839
Depreciation and amortization expenses	-	6,222	-	6,222
	-	4,575	1,220	3,355
Management fee income	-	557	-	557
Interest and finance expense	-	(243)	-	(243)
Foreign exchange loss	-	(143)	-	(143)
Loss on sale of property and equipment	-	(13)	-	(13)
Asset impairment loss	-	(15,200)	-	(15,200)
Loss before income tax	-	(10,467)	(1,220)	(11,687)
Income tax expense	-	(1,028)	-	(1,028)
Deferred income tax recovery	-	2,872	-	2,872
Income tax recovery	-	1,844	-	1,844
Total net loss	-	(8,623)	(1,220)	(9,843)

The notes are an integral part of these pro-forma financial statements.

# NOTES TO THE HIGH ARCTIC OVERSEAS HOLDINGS CORP. PRO-FORMA FINANCIAL STATEMENTS

## 1. Reporting Entity

High Arctic Overseas Holdings Corp. ("SpinCo" or the "Corporation") was incorporated under the Business Corporations Act (Alberta) on April 1, 2024. The Company is a wholly owned subsidiary of High Arctic Energy Services Inc. ("High Arctic").

The Corporation has not yet commenced commercial operations. SpinCo was incorporated for the sole purpose of participating in the plan of arrangement described in the Management Information Circular of High Arctic to which these pro-forma financial statements are attached ("Arrangement"). Under the Arrangement it is proposed that, among other things, (i) High Arctic will transfer all of its shares in High Arctic Energy Services Cyprus, which holds High Arctic's entire Papua New Guinea ("PNG") business, to SpinCo, and (ii) each common share of High Arctic will be exchanged for 0.25 new common share of High Arctic and 0.25 common share of SpinCo.

The Corporation's principal office is located at Suite 2350 330 5<sup>th</sup> Avenue SW Calgary Alberta and the registered office of SpinCo is Suite 1000 250 2<sup>nd</sup> Street SW Calgary Alberta.

## 2. Basis of presentation

The line items in the pro-forma financial statements have been prepared in all material respects using the accounting policies that are described in note 2 and 3 of the audited consolidated financial statements of High Arctic Energy Services Cyprus Limited.

The pro-forma Statement of Financial Position as at December 31 2023 and the pro-forma Statement of Net Loss for the year ended December 31 2023 give effect to the Arrangement and assumptions described in note 4 as if they had occurred January 1 2023.

The pro-forma financial statements have been prepared using the following information:

- audited financial statements of SpinCo as at the date of incorporation on April 1, 2024;
- audited consolidated financial statements of High Arctic Energy Services Cyprus Limited as at December 31 2023, December 31, 2022 and January 1, 2022 and for the years ended December 31 2023, 2022 and 2021;
- the Arrangement Agreement between High Arctic and SpinCo.

The pro-forma statements are not necessarily indicative of the results of operations or the financial position that would have resulted had the Arrangement been effected on the dates indicated or the results that may be obtained in the future.

The pro-forma statements have been prepared for illustrative purposes only.

## 3. Material accounting policies

These pro-forma financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements of High Arctic Energy Services Cyprus Limited as at December 31 2023, December 31, 2022 and January 1, 2022 and for the years ended December 31 2023, 2022 and 2021 (the "Financial Statements"). Significant accounting policies are described in notes 2 and 3 of the Financial Statements.

Business combinations involving entities under common control are outside the scope of IFRS 3 Business Combinations. IFRS provides no guidance on the accounting for these types of transactions and an entity is required to develop an accounting policy. A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party both before and after the business combination and control is not transitory. Management has determined the predecessor values method to be most appropriate. The predecessor method requires the financial statements to be prepared using the predecessor carrying values without any step up to fair value.



#### **4. Pro-forma adjustments as at and for the year ended December 31, 2023 – General and administrative expenses**

The Corporation will incur additional general and administrative expenses as a result of being listed on a public exchange and as a result of having an additional Canadian entity as part of the organization's corporate structure. Additional pro-forma expenses that are not included in the Financial Statements include higher audit and director fees, listing and registration fees, and additional insurance premiums. Under the proposed Arrangement and as determined by management by reviewing High Arctic's non-recurring general and administrative costs incurred in 2023 additional general and administrative costs of \$665,000 was added to the pro-forma statements.

Included in the Financial Statements are recoveries from High Arctic of general and administrative costs incurred by High Arctic Energy Services Cyprus Limited and its subsidiaries. Following the Arrangement these recoveries will cease. In 2023 these recoveries totaled \$555,000 and this amount has therefore been added to the pro-forma statements as additional general and administrative costs.

The above adjustments have been made assuming that SpinCo settled the transactions for cash in 2023. In addition, the Corporation's subsidiaries are either not subject to income tax or have significant unrecorded deferred tax assets. As a result, the additional \$1,220,000 in pro-forma general and administrative expenses will not result in a recovery of income tax for any of the Corporation's subsidiaries and therefore no tax affect for these pro-forma adjustments has been made to the pro-forma statements.

**APPENDIX "I"**  
**Section 191 of the *Business Corporations Act* (Alberta) - Dissent Provisions**

**Pursuant to the Interim Order, Registered Shareholders have the right to dissent in respect of the Arrangement. Such right of dissent is described in the Circular. The full text of section 191 of the ABCA is set forth below. Note that certain provisions of such section have been modified by the Interim Order, a copy which is attached as Appendix "J" to the Circular.**

**SECTION 191 OF THE BUSINESS CORPORATIONS ACT (ALBERTA)**

**191(1)** Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

- (a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
- (b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
- (b.1) amend its articles under section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in section 15.2(1),
- (c) amalgamate with another corporation, otherwise than under section 184 or 187,
- (d) be continued under the laws of another jurisdiction under section 189, or
- (e) sell, lease or exchange all or substantially all its property under section 190.

**(2)** A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

**(3)** In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

**(4)** A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

**(5)** A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
- (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

**(6)** An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),

- (a) by the corporation, or
- (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

**(7)** If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

**(8)** Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder

(a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or

(b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.

**(9)** Every offer made under subsection (7) shall

(a) be made on the same terms, and

(b) contain or be accompanied with a statement showing how the fair value was determined.

**(10)** A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

**(11)** A dissenting shareholder

(a) is not required to give security for costs in respect of an application under subsection (6), and

(b) except in special circumstances must not be required to pay the costs of the application or appraisal.

**(12)** In connection with an application under subsection (6), the Court may give directions for

(a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,

(b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court,

(c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,

(d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,

(e) the appointment and payment of independent appraisers, and the procedures to be followed by them,

(f) the service of documents, and

(g) the burden of proof on the parties.

**(13)** On an application under subsection (6), the Court shall make an order

(a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,

(b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,

(c) fixing the time within which the corporation must pay that amount to a shareholder, and

(d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

**(14)** On

- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
- (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
- (c) the pronouncement of an order under subsection (13),

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

**(15)** Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

**(16)** Until one of the events mentioned in subsection (14) occurs,

- (a) the shareholder may withdraw the shareholder's dissent, or
- (b) the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

**(17)** The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

**(18)** If subsection (20) applies, the corporation shall, within 10 days after

- (a) the pronouncement of an order under subsection (13), or
- (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

**(19)** Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

**(20)** A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
- (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

**APPENDIX "J"**  
**Interim Order**



Clerk's stamp

COURT FILE NUMBER 2401-05327  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
MATTER IN THE MATTER OF SECTION 193 OF THE  
*BUSINESS CORPORATIONS ACT*, RSA  
2000, c B-9, AS AMENDED

SH

AND IN THE MATTER OF A PROPOSED  
ARRANGEMENT INVOLVING HIGH ARCTIC  
ENERGY SERVICES INC., HIGH ARCTIC  
OVERSEAS HOLDINGS CORP., and THE  
SECURITYHOLDERS OF HIGH ARCTIC  
ENERGY SERVICES INC.

APPLICANTS HIGH ARCTIC ENERGY SERVICES INC.  
and HIGH ARCTIC OVERSEAS HOLDINGS  
CORP.

DOCUMENT **INTERIM ORDER**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT **DLA PIPER (CANADA) LLP**  
1000, 250 - 2<sup>nd</sup> Street SW  
Calgary Alberta T2P 0C1  
**Attention: Kevin Hoy**  
Phone: 403.698.8738  
Fax: 403.776.8861  
Email: [kevin.hoy@dlapiper.com](mailto:kevin.hoy@dlapiper.com)  
File No.: 064776-00099

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DATE ON WHICH ORDER WAS PRONOUNCED: **April 25, 2024**

LOCATION OF HEARING: **Calgary Courts Centre, Calgary, Alberta**

NAME OF JUSTICE WHO GRANTED THIS ORDER: **K.D. Yamauchi**

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UPON the Originating Application (the "**Originating Application**") of High Arctic Energy Services Inc. ("**High Arctic**") and High Arctic Overseas Holding Corp. (collectively, the "**Applicants**"; AND UPON reading the Originating Application, the affidavit of Lonn Bate, sworn April 17, 2024, (the "**Affidavit**") and the documents referred to therein;

AND UPON being advised that notice of the Originating Application has been given to the Registrar (the “**Registrar**”) appointed under section 263 of the *Business Corporations Act*, RSA 2000, c B-9, as amended (the “**ABCA**”);

AND UPON being advised that the Applicants intend to rely upon the exemption from registration provided by Section 3(a)(10) of the United States Securities Act of 1933, as amended, subject to this Court determining on the application for the Final Order (as defined below) that the Arrangement is substantially and procedurally fair and reasonable to the Securityholders (as defined below);

AND UPON HEARING counsel for the Applicant and any other interested parties present;

### **FOR THE PURPOSES OF THIS ORDER:**

- (a) the capitalized terms not defined in this Order (the “**Order**”) shall have the meanings attributed to them in the draft information circular of the Applicant which is attached as Exhibit “A” to the Affidavit; and
- (b) all references to “Arrangement” used herein mean the arrangement as set forth in the plan of arrangement attached as Schedule “A” to the arrangement agreement (the “Arrangement Agreement”), which Arrangement Agreement is attached as Appendix “B” of the information circular of the Applicant (the “**Information Circular**”).

### **IT IS HEREBY ORDERED THAT:**

#### **General**

1. High Arctic shall seek approval of the Arrangement as described in the Information Circular by the holders (the “**Securityholders**”) of the issued and outstanding common shares of High Arctic (the “**High Arctic Common Shares**”, or “**Shares**”) in the manner set forth below.

#### **The Meeting**

2. High Arctic shall call and conduct a special meeting (the “**Meeting**”) of Securityholders on or about June 17, 2024. At the Meeting, the Securityholders will consider and vote upon a resolution to approve the Arrangement substantially in the form attached as Appendix “A” to the Information Circular (the “**Arrangement Resolution**”) and such other business as may properly be brought before the Meeting or any adjournment or postponement thereof, all as more particularly described in the Information Circular.
3. A quorum at the Meeting shall be at least two persons holding or representing by proxy not less than 5% of the High Arctic Common Shares.
4. If within 30 minutes from the time appointed for the Meeting, a quorum is not present, the Meeting shall stand adjourned to a date not less than 14 and not more than 30 days later, as may be

determined by the Chair of the Meeting. No notice of the adjourned meeting shall be required and, if at such adjourned meeting a quorum is not present, the Securityholders present at the adjourned meeting in person or represented by proxy shall constitute a quorum for all purposes.

5. Each High Arctic Common Share entitled to be voted at the Meeting will entitle the holder to one vote at the Meeting in respect of the Arrangement Resolution and any other matters to be considered at the Meeting.
6. The record date for Securityholders entitled to receive notice of and vote at the Meeting shall be May 13, 2024 (the “**Record Date**”). Only Securityholders whose names have been entered on the register of High Arctic as at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting provided that, to the extent a Securityholder transfers the ownership of any Shares after the Record Date and the transferee of those Shares produces properly endorsed share certificates or otherwise establishes ownership of such Shares and demands, not later than 10 days before the Meeting, to be included on the list of Securityholders entitled to vote at the Meeting, such transferee will be entitled to vote those Shares at the Meeting.
7. The Meeting shall be called, held and conducted in accordance with the applicable provisions of the ABCA, the articles and by-laws of High Arctic in effect at the relevant time, the Information Circular, the rulings and directions of the Chair of the Meeting, this Order and any further Order of this Court. To the extent that there is any inconsistency or discrepancy between this Order and the ABCA or the articles or by-laws of High Arctic, the terms of this Order shall govern.

### **Conduct of the Meeting**

8. The only persons entitled to attend the Meeting shall be Securityholders or their authorized proxy holders, High Arctic’s directors and officers and its auditors, High Arctic’s legal counsel, the Registrar, and such other persons who may be permitted to attend by the Chair of the Meeting.
9. The number of votes required to pass the Arrangement Resolution shall be not less than 66 and 2/3% of the votes cast by Securityholders present in person or represented by proxy at the Meeting.
10. To be valid, a proxy must be deposited with Odyssey Trust Company in the manner described in the Information Circular.
11. Any proxy that is properly signed and dated but which does not contain voting instructions shall be deemed to be voted in favour of the Arrangement Resolution.
12. The accidental omission to give notice of the Meeting or the non-receipt of the notice shall not invalidate any resolution passed or proceedings taken at the Meeting.
13. High Arctic is authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present, if applicable) and for such period or periods of time as High Arctic



deems advisable, without the necessity of first convening the Meeting or first obtaining any vote of the Securityholders in respect of the adjournment or postponement. Notice of such adjournment or postponement may be given by such method as High Arctic determines is appropriate in the circumstances. If the Meeting is adjourned or postponed in accordance with this Order, the references to the Meeting in this Order shall be deemed to be the Meeting as adjourned or postponed, as the context allows.

### **Amendments to the Arrangement**

14. The Applicant is authorized to make such amendments, revisions or supplements to the Arrangement as it may determine necessary or desirable, provided that such amendments, revisions or supplements are made in accordance with and in the manner contemplated by the Arrangement and the Arrangement Agreement. The Arrangement so amended, revised or supplemented shall be deemed to be the Arrangement submitted to the Meeting and the subject of the Arrangement Resolution, without need to return to this Court to amend this Order.

### **Amendments to Meeting Materials**

15. High Arctic is authorized to make such amendments, revisions or supplements ("**Additional Information**") to the Information Circular, form of proxy ("**Proxy**"), notice of the Meeting ("**Notice of Meeting**"), and notice of Originating Application ("**Notice of Originating Application**") as it may determine, and High Arctic may disclose such Additional Information, including material changes, by the method and in the time most reasonably practicable in the circumstances as determined by High Arctic. Without limiting the generality of the foregoing, if any material change or material fact arises between the date of this Order and the date of the Meeting, which change or fact, if known prior to mailing of the Information Circular, would have been disclosed in the Information Circular, then:
  - (a) the Applicant shall advise the Securityholders of the material change or material fact by disseminating a news release (a "**News Release**") in accordance with applicable securities laws and the policies of the Toronto Stock Exchange; and
  - (b) provided that the News Release describes the applicable material change or material fact in reasonable detail, the Applicant shall not be required to deliver an amendment to the Information Circular to the Securityholders or otherwise give notice to the Securityholders of the material change or material fact other than dissemination and filing of the News Release as aforesaid.

### **Dissent Rights**

16. The registered holders of High Arctic Common Shares of the Applicant (the "**Shareholders**") are, subject to the provisions of this Order and the Arrangement, accorded the right to dissent under section 191 of the *ABCA* with respect to the Arrangement Resolution and the right be paid the fair value of their Shares by High Arctic in respect of which such right to dissent was validly exercised.

17. In order for a registered Shareholder (a “**Dissenting Shareholder**”) to exercise such right to dissent under section 191 of the *ABCA*:
- (a) the Dissenting Shareholder’s written objection to the Arrangement Resolution must be received by High Arctic, care of its solicitors at DLA Piper (Canada) LLP, 1000, 250 - 2nd Street S.W., Calgary, Alberta T2P 0C1, Attention: Roy Hudson, not later than 9:00 a.m. (Mountain time) on June 13, 2024 or the day that is two (2) Business Days immediately preceding the date of any adjourned or postponed Meeting is reconvened or held, as the case may be;
  - (b) a vote against the Arrangement Resolution, whether in person or by proxy, shall not constitute a written objection to the Arrangement Resolution as required under paragraph 17(a) herein;
  - (c) a Dissenting Shareholder shall not have voted his or her Shares at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;
  - (d) a Shareholder may not exercise the right to dissent in respect of only a portion of the Shareholder’s Shares, but may dissent only with respect to all of the Shares held by the Shareholder; and
  - (e) the exercise of such right to dissent must otherwise comply with the requirements of section 191, as modified and supplemented by this Order and the Arrangement.
18. The fair value of the consideration to which a Dissenting Shareholder is entitled pursuant to the Arrangement shall be determined as of the close of business on the last business day before the day on which the Arrangement Resolution is approved by the Securityholders and shall be paid to the Dissenting Shareholders by High Arctic as contemplated by the Arrangement and this Order.
19. Dissenting Shareholders who validly exercise their right to dissent, as set out in paragraphs 16 and 17 above, and who:
- (i) are determined to be entitled to be paid the fair value of their Shares, shall be deemed to have transferred such Shares as of the effective time of the Arrangement (the “Effective Time”), without any further act or formality and free and clear of all liens, claims and encumbrances to High Arctic in exchange for the fair value of the Shares; or
  - (ii) are, for any reason (including, for clarity, any withdrawal by any Dissenting Shareholder of their dissent) determined not to be entitled to be paid the fair value for their Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting Shareholder and such Shares will be deemed to be exchanged for the consideration under the Arrangement,

but in no event shall High Arctic, or any other person be required to recognize such Shareholders as holders of Shares after the Effective Time, and the names of such Shareholders shall be removed from the register of High Arctic Common Shares.

20. Subject to further order of this Court, the rights available to Shareholders under the ABCA and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient dissent rights for the Shareholders with respect to the Arrangement Resolution.
21. Notice to the Shareholders of their right to dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the ABCA and the Arrangement, the fair value of the consideration to which a Dissenting Shareholder is entitled pursuant to the Arrangement shall be sufficiently given by including information with respect to this right as set forth in the Information Circular which is to be sent to Shareholders in accordance with paragraph 22 of this Order.

## Notice

22. The Information Circular, substantially in the form attached as Exhibit “A” to the Affidavit, with such amendments thereto as counsel to the Applicant may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), and including the Notice of the Meeting, the Proxy, the Notice of Originating Application and this Order, together with any other communications or documents determined by the Applicant to be necessary or advisable (collectively, the “**Meeting Materials**”), shall be sent to those Securityholders who hold High Arctic Common Shares, as of the Record Date, the directors of High Arctic, the auditors of High Arctic and the Registrar by one or more of the following methods:
  - (a) in the case of registered Securityholders, by pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to each such holder at his, her or its address, as shown on the books and records of High Arctic as of the Record Date not later than 21 days prior to the Meeting;
  - (b) in the case of non-registered Securityholders, by providing sufficient copies of the Meeting Materials to intermediaries, in accordance with National Instrument 54-101 – *Communication With Beneficial Owners of Securities of a Reporting Issuer*;
  - (c) in the case of the directors and auditors of High Arctic, by email, pre-paid first class or ordinary mail, by courier or by delivery in person, addressed to the individual directors or firm of auditors, as applicable, not later than 21 days prior to the date of the Meeting; and
  - (d) in the case of the Registrar, by email at including corp.reg@gov.ab.ca, by courier or by delivery in person, addressed to the Registrar not later than 21 days prior to the date of the Meeting.

23. Delivery of the Meeting Materials in the manner directed by this Order shall be deemed to be good and sufficient service upon the Securityholders, the directors and auditors of High Arctic and the Registrar of:
- (a) the Originating Application;
  - (b) this Order;
  - (c) the Notice of the Meeting; and
  - (d) the Notice of Originating Application.

### **Final Application**

24. Subject to further order of this Court, and provided that the Securityholders have approved the Arrangement in the manner directed by this Court and the directors of High Arctic have not revoked their approval, the Applicant may proceed with an application for a final Order of the Court approving the Arrangement (the “**Final Order**”) on July 12, 2024 at 2:00 p.m. (Mountain time) or so soon thereafter as counsel may be heard. Subject to the Final Order and to the issuance of the proof of filing of the articles of arrangement, the Applicant, all Securityholders and all other persons affected will be bound by the Arrangement in accordance with its terms.
25. Any Securityholder or other interested party (each an “**Interested Party**”) desiring to appear and make submissions at the application for the Final Order is required to file with this Court and serve upon High Arctic, on or before five (5) business days immediately preceding the Application for Final Order, a notice of intention to appear (“**Notice of Intention to Appear**”) including the Interested Party’s address for service (or alternatively, a facsimile number for service by facsimile or an email address for service by electronic mail), indicating whether such Interested Party intends to support or oppose the application or make submissions at the application, together with a summary of the position such Interested Party intends to advocate before the Court, and any evidence or materials which are to be presented to the Court. Service of this notice on High Arctic shall be effected by service upon the solicitors for the Applicant, DLA Piper (Canada) LLP, care of Kevin Hoy, 1000, 250 - 2nd Street S.W., Calgary, Alberta T2P 0C1, or by email at kevin.hoy@dlapiper.com.
26. In the event that the application for the Final Order is adjourned, only those parties appearing before this Court for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 25 of this Order, shall have notice of the adjourned date.

### **General**

27. High Arctic is entitled at any time to seek leave to vary this Order upon such terms and the giving of such notice as this Court may direct.

28. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any foreign jurisdiction to give effect to this Order and to assist this Court in carrying out the terms of this Order.



Justice of the Court of King's Bench of Alberta